Prospectus

$9,255,811,613 (Approximate)

(subject to a permitted variance of plus or minus 5%)

FannieMae®

Guaranteed Grantor Trust Pass-Through Certificates
Fannie Mae Grantor Trust 2011-T1

Consider carefully the risk factors starting on page 7 of this prospectus and on page 13 of the attached Information Memorandum. 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 or Fannie Mae, will issue the classes of certificates listed in the chart below. The certificates will represent ownership interests in the trust assets.

Payments to Certificateholders

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

- interest in an amount equal to the interest paid in that month, if any, on the corresponding underlying REMIC securities, and
- principal in an amount equal to the principal paid in that month, if any, on the corresponding underlying REMIC securities.

We may pay principal in amounts which vary from time to time.

The Fannie Mae Guaranty

We will guarantee that the payments of interest and principal described above are paid to investors on time as provided herein.

The Trust and Its Assets

The trust will own the Class A-I, Class A-II, Class RV-I and Class RV-II underlying REMIC securities issued by the underlying REMIC trust, Mortgage Equity Conversion Asset Trust 2011-1, as described in this prospectus. The underlying REMIC securities will represent beneficial interests in a pool of home equity conversion reverse mortgage loans that are insured by the Federal Housing Administration and secured by one- to four-family properties.

Class	*Original Certificate Balance*(1)(2)	*Certificate Interest Rate*	*CUSIP Number*
A1............	$ 8,755,528,440	Variable Rate(3)	31397UDN6
RV1.........	$ 30,000,000	Variable Rate(3)(5)	31397UDP1
A2............	$ 468,283,173	Variable Rate(4)	31397UDQ9
RV2.........	$ 2,000,000	Variable Rate(4)(5)	31397UDR7

(1) Approximate. Subject to a permitted variance of plus or minus 5%.
(2) Subject to increase as described herein.
(3) Initially, approximately 1.58567% per annum (based on the modeling assumptions described under "Yield, Prepayment and Maturity Considerations—Weighted Average Life" in the attached Information Memorandum); thereafter the weighted average of the net mortgage rates on the mortgage loans in loan group I, as described in the attached Information Memorandum. Investors should note that the actual initial certificate interest rate for the Class A1 Certificates and the Class RV1 Certificates may be other than 1.58567% per annum.
(4) Initially, approximately 2.54805% per annum (based on the modeling assumptions described under "Yield, Prepayment and Maturity Considerations—Weighted Average Life" in the attached Information Memorandum); thereafter the weighted average of the net mortgage rates on the mortgage loans in loan group II, as described in the attached Information Memorandum. Investors should note that the actual initial certificate interest rate for the Class A2 Certificates and the Class RV2 Certificates may be other than 2.54805% per annum.
(5) Subject to reductions in distributions due to prepayment interest shortfalls, as described in the attached Information Memorandum.

We expect the settlement date to be May 27, 2011.

BofA Merrill Lynch

May 27, 2011

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ADDITIONAL INFORMATION

You should purchase the certificates only if you have read this prospectus and the following documents (the "Disclosure Documents"):

- the information memorandum dated May 27, 2011 relating to the underlying REMIC securities (the "Information Memorandum"), which is attached to, and forms a part of, this prospectus; and

- any information incorporated by reference in this prospectus as discussed below under the heading "Incorporation by Reference."

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

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

In addition, the Disclosure Documents for the certificates are available on our corporate Web site at www.fanniemae.com.

INCORPORATION BY REFERENCE

We are incorporating by reference in this prospectus 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, together with the other Disclosure Documents.

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, 2010 ("Form 10-K");

- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, since the end of the fiscal year covered by the Form 10-K until the date of this prospectus, excluding any information "furnished" to the SEC on Form 8-K; and

- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this prospectus and prior to the completion of the offering of the certificates, excluding any information we "furnish" to the SEC on Form 8-K.

We make available free of charge through our Web site our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Our Web site address is www.fanniemae.com. Materials that we file with the SEC are also available from the SEC's Web site, www.sec.gov. In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

You may also request copies of any filing from us, at no cost, by calling the Fannie Mae Helpline at 1-800-237-8627 or at (202) 752-7115 or by mail at 3900 Wisconsin Avenue NW, Area 2H-3S, Washington, DC 20016.

SUMMARY

This summary contains only limited information about the certificates. As a summary, it speaks in general terms without giving details or discussing any exceptions. You should purchase the certificates only after reading this prospectus and each of the other disclosure documents listed on page 3 of this prospectus.

General

- The certificates will represent ownership interests in the trust assets.
- The trust assets will consist of four classes of underlying REMIC securities representing ownership interests in Mortgage Equity Conversion Asset Trust 2011-1. Specific information regarding the underlying REMIC securities is provided in the attached Information Memorandum.
- The underlying REMIC securities will represent beneficial interests in a pool of home equity conversion reverse mortgage loans that are insured by the Federal Housing Administration and secured by one to four-family residential properties.

Corresponding Classes

Each class of certificates offered by this prospectus corresponds to the class of underlying REMIC securities as follows:

Fannie Mae Grantor Trust Classes	Classes of underlying REMIC securities
A1	A-I
RV1	RV-I
A2	A-II
RV2	RV-II

All amounts payable on each class of underlying REMIC securities will be passed through to the corresponding class of certificates offered by this prospectus. For a description of Fannie Mae's guaranty of the certificates, see "Description of the Certificates—General—*Fannie Mae Guaranty*" in this prospectus.

Characteristics of the Mortgage Loans Backing the underlying REMIC securities

For information about the nature of the mortgage loans backing the underlying REMIC securities, see the section of the Information Memorandum entitled "The Mortgage Pool."

Class Factors

We will publish the class factors for the certificates on or before each monthly distribution date.

Settlement Date

We expect to issue the certificates on May 27, 2011.

Distribution Dates

Beginning in June 2011, we will make payments, to the extent described herein, on the certificates on the 25th day of each calendar month, or on the next business day if the 25th is not a business day.

Book-Entry and Physical Certificates

We will issue the Class A1 certificates and the Class A2 Certificates (collectively, the "Class A Certificates") in book-entry form through The Depository Trust Company, which will track ownership of the certificates and payments on the certificates electronically. The Class RV1 certificates and the Class RV2 certificates (collectively, the "Class RV Certificates") shall each be issuable in fully registered certificated form as a single certificate with a 100% percentage interest.

Payments of Interest

We will pay interest on each class of certificates in an amount equal to the interest paid in that month, if any, on the corresponding class of underlying REMIC securities.

Payments of Principal

We will pay principal on the certificates in an amount equal to the principal paid in that month, if any, on the corresponding class of underlying REMIC securities.

Guaranty Payments

We guarantee that interest and principal on the certificates will be paid as provided herein. For a description of Fannie Mae's guaranty of the certificates, see "Description of the Certificates—General—*Fannie Mae Guaranty*" in this prospectus.

Characteristics of the Class RV Certificates

Holders of the Class RV1 Certificates and Class RV2 Certificates will be required to fund amounts equal to certain principal advances and servicing advances on the underlying REMIC securities ("Liquidity Amounts") as more fully described in the Information Memorandum. These amounts are expected to be substantial, and may be required to be paid each month for the entire life of this transaction. Each holder of a Class RV1 Certificate or Class RV2 Certificate and transferee thereof will also be required to meet certain ratings requirements described in the Information Memorandum and to be U.S. Person or a foreign person subject to United States income taxation on a net basis on income derived from its Class RV Certificate. See "Description of the Certificates—*Restrictions on Transfer of the Class RV Certificates*" in this prospectus.

RISK FACTORS

We describe below some of the risks associated with an investment in the certificates. In addition to the risks discussed below, you should read the section entitled "Risk Factors" beginning on page 13 of the Information Memorandum. In addition, our annual report on Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus, discuss certain risks, including risks relating to Fannie Mae, that may affect your investment in the certificates and the value of the certificates.

You should review of these risk factors before investing 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 complex financial instruments and home equity conversion mortgages ("HECMs") are complex mortgage loans. They are not a suitable investment for every investor. Before investing, you should carefully consider the following.

- You should have sufficient knowledge and experience to evaluate (either alone or with the help of a financial or legal advisor) the merits and risks of the certificates and the information contained in this prospectus, the Information Memorandum and the documents incorporated by reference herein and thereto.
- You should thoroughly understand the terms of the certificates.
- You should thoroughly understand the terms of the underlying REMIC securities and the related loans.
- You should be able to evaluate (either alone or with the help of a financial or legal 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 exercise particular caution if your circumstances do not permit you to hold the certificates until maturity.
- As a prospective investor in Class RV Certificates, you should be prepared to fund substantial Liquidity Amounts and you should understand that restrictions on transfer of Class RV Certificates will limit your ability to transfer such certificates.

Some investors may be unable to buy the certificates. Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy the certificates. You should get legal advice in determining 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 one-year CMT index;

- the price you paid for the certificates;
- how quickly or slowly borrowers repay or prepay the underlying loans;
- if and when the underlying loans are liquidated;
- if and when Fannie Mae repurchases certain underlying loans;
- if and when Fannie Mae makes payments under its guaranty of the certificates;
- if and when the co-trustee (as described in the Information Memorandum) terminates the underlying REMIC trust by conducting an auction to sell all of the loans remaining in the trust; and
- the actual characteristics of the underlying loans.

Yield may be lower than expected due to uncertain rate of principal payments. The actual yield on your certificates probably will be lower than you expect:

- if you buy your certificates at a premium and principal payments on the underlying loans are faster than you expect, or
- if you buy your certificates at a discount and principal payments on the underlying loans are slower than you expect.

Even if the underlying loans are repaid at a rate that on average is consistent with your expectations, variations over time in the prepayment rate of the underlying loans 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 prepayments on the underlying loans during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier prepayment rate on your yield.

Certain assumptions concerning the underlying loans were used in preparing the tabular information set forth in the Information Memorandum. If the actual loan characteristics differ even slightly from those assumptions, the weighted average life and yield of the underlying REMIC security, and therefore the certificates, could be affected.

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

Prepayment interest shortfalls may affect your yield. Interest shortfalls may occur in connection with the prepayment or payment at maturity of an underlying loan by the related borrower because a borrower is only required to pay interest on any amount paid only to the date of such payment. Such interest shortfalls will be allocated on each underlying distribution date first, to the related class of underlying Class RV certificates, up to the amount of interest payable on such class of RV certificates on such underlying distribution date, and then to the related class of underlying Class A certificates. The Fannie Mae guaranty covers any such interest shortfalls allocated to the underlying Class A certificates (as further described in the Information Memorandum). **The Fannie Mae guaranty does not cover such interest shortfalls allocated to the underlying Class RV certificates.**

Unpredictable timing of last payment may affect your yield. The actual final payment on the certificates may occur earlier or later, and could occur much earlier or later, than the final distribution date listed in this prospectus with respect to the underlying REMIC securities. If you assume the actual final payment will occur on the final distribution date specified, your yield could be lower than you expect.

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 generally will depend on the rate of principal payments on the underlying loans. Principal payments will occur as a result of a maturity event, prepayments or guaranty payments on the underlying REMIC securities. The rate of principal payments is likely to vary considerably from time to time as a result of the liquidation of the underlying loans.

It is highly unlikely that the underlying loans will prepay:

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

Substantially all of the underlying loans provide that the lender can require repayment in full if the borrower defaults, sells, or transfers the property that secures the loan, dies (if such borrower is the last surviving borrower) or no longer continues to occupy the property that secures the loan.

As described in the Information Memorandum, on the underlying distribution date following the first underlying distribution date on which the aggregate actual principal balance of the underlying mortgage loans in either loan group is less than or equal to 1% of the aggregate stated principal balance of the mortgage loans in such loan group as of the cut-off date, the co-trustee of the underlying trust will conduct an auction to sell the mortgage loans in such loan group and the other related assets in the underlying trust.

If the underlying loans are purchased in any of the ways discussed above, such a purchase would have the same effect as a prepayment in full of the underlying loans. For a further description of the termination risks, you should read the Information Memorandum.

Because so many factors affect the rate of prepayment of a pool of mortgage loans, we cannot estimate the prepayment experience of the mortgage loans backing the underlying REMIC security.

Reinvestment Risk

You may have to reinvest principal payments at a rate of return lower than that on the certificates. Generally, a borrower may pay a mortgage loan at any time. All of the underlying loans permit the related borrower to pay its mortgage loan without a prepayment charge being imposed. In the case of HECMs such as the underlying mortgage loans, it is generally anticipated that a borrower will not make any payment until the related mortgage loan has matured. See "The Mortgage Pool—*The Mortgage Loans*" in the attached Information Memorandum. 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

It may be difficult to resell your certificates and any resale may occur on adverse terms. 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 payment to certificateholders of interest and principal in amounts based on the interest and principal paid on the underlying REMIC securities;
- the method, frequency and complexity of calculating principal or interest on the mortgage loans or on the certificates;
- the characteristics of the underlying loans;
- the availability of current information about the mortgage loans backing the underlying REMIC securities;
- past and expected prepayment levels of the underlying loans and comparable mortgage 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;
- general economic conditions;
- market uncertainty;
- the level of interest rates generally, the volatility with which prevailing interest rates are changing, and the direction in which interest rate are, or appear to be, trending;
- our financial condition and rating;
- our future structure, organization, and the level of government support for our company;
- whether we are in conservatorship or receivership;
- the financial condition and rating of the servicer of the mortgage loans backing the underlying REMIC securities;
- any significant reduction in our securitization volume due to a decline in mortgage loan originations by our principal lenders and seller that have experienced liquidity or other major financial difficulties; and
- any increase or decrease in the level of governmental commitments to engage in market purchases or our certificates.

The occurrence of a major natural or other disaster in the United States could negatively affect our credit losses and credit-related expenses or disrupt our business operations in the affected geographic area.

We conduct our business in the residential mortgage market and own or guarantee the performance of mortgage loans throughout the United States. The occurrence of a major natural or environmental disaster, terrorist attack, pandemic or similar event (a “major disruptive event”) in a geographic region of the United States could negatively affect our credit losses and credit-related expenses in the affected area.

The occurrence of a major disruptive event could negatively affect a geographic region in a number of different ways, depending on the nature of the event. A major disruptive event that either damaged or destroyed residential real estate securing mortgage loans that we own or that back our certificates or that negatively affected the ability of homeowners to continue to make principal and interest payment on such mortgage loans could increase the delinquency rates, default rates and average loan loss severity of our mortgage loans in the affected region or regions, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. While we attempt to acquire geographically diverse mortgage loans, there can be no assurance that a major disruptive event, depending on its magnitude, scope, and nature, will not generate significant credit losses and credit-related expenses.

In addition, if a major disruptive event occurs, the contingency plans and facilities that we have in place may be insufficient to prevent an adverse effect on our ability to conduct business, which could lead to financial losses. Substantially all of our senior management and investment personnel work out of our offices in the Washington, DC metropolitan area. If a disruption occurs and our senior management or other employees are unable to occupy our offices, communicate with other personnel or travel to other locations, our ability to interact with each other and with our customers may suffer, and we may not be successful in implementing contingency plans that depend on communication or travel.

Fannie Mae Guaranty Considerations

Any failure of Fannie Mae to perform its guaranty obligations will adversely affect investors. If we were unable to perform our guaranty obligations with respect to the certificates or the underlying REMIC securities, certificateholders would receive only amounts actually paid and other recoveries on the underlying REMIC securities without taking into account our guaranty on such underlying REMIC securities. If that happened, defaults or other shortfalls on the mortgage loans could directly affect the amounts that the certificateholders would receive each month.

If our credit becomes impaired, a buyer may be willing to pay only a reduced price for your certificates.

There could be an adverse change in our liquidity position or financial condition that impairs our credit rating and the perception of our credit. Even if we were to make all payments required under our guaranty, reduced market liquidity may make it more difficult to sell your certificates, and potential buyers may offer less for your certificates than they would have offered if our liquidity position or financial condition had remained unchanged.

Risks Relating to Our Structure and Business

The future of our company is uncertain.

We have been under conservatorship since September 6, 2008. There is significant uncertainty regarding the future of our company, including how long we will continue to be in existence, the extent of our role in the market and what form we will have, if any, after the conservatorship is terminated.

On February 11, 2011, the U.S. Department of Treasury ("Treasury") and the U.S. Department of Housing and Urban Development ("HUD") released a report to Congress on ending the conservatorships of the Fannie Mae and Freddie Mac (together, the "GSEs") and reforming America's housing finance market. The report provides that the Administration will work with the Federal Housing Finance Agency ("FHFA") to determine the best way to responsibly reduce the role of Fannie Mae and Freddie Mac in the market and ultimately wind down both institutions. The report also addresses three options for a reformed housing finance system. The report does not state whether or how the existing infrastructure or human capital of Fannie Mae may be used in the establishment of such a reformed system. The report emphasizes the importance of proceeding with a careful transition plan and providing the necessary financial support to Fannie Mae and Freddie Mac during the transition period.

We expect that Congress will continue to hold hearings and consider legislation in 2011 on the future status of the GSEs, including proposals that would result in a substantial change to our business structure or our operations or that would involve our liquidation or dissolution. In April 2011, in the U.S. House of Representatives, the Subcommittee on Capital Markets and Government Sponsored Enterprises of the Financial Services Committee approved several bills relating to GSE operations. We cannot predict the prospects for the enactment, timing or content of legislative proposals regarding the future status of the GSEs.

We expect FHFA to request additional funds from Treasury on our behalf to ensure we maintain a positive net worth and avoid mandatory receivership. The dividends that we must pay or that accrue on Treasury's investments are substantial and are expected to increase; we are likely to be unable to fund them through net income.

FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations (a "net worth deficit") or if we have not been paying our debts, in either case, for a period of 60 days after the deadline for filing with the SEC our annual report on Form 10-K or quarterly report on Form 10-Q, as applicable. We have had a net worth deficit as of the end of each of the last ten fiscal quarters through and including March 31, 2011. Treasury provided us with funds under the senior preferred stock purchase agreement between us and Treasury dated September 8, 2008 (as amended, the "senior preferred stock purchase agreement") to cure the net worth deficits in prior periods before the end of the 60-day period, and we expect Treasury to do the same with respect to the March 31, 2011 deficit. When Treasury provides the additional $8.5 billion that FHFA has requested on our behalf, the aggregate liquidation preference on the senior preferred stock will be $99.7 billion, which will require an annualized dividend of $10.0 billion. The prospective $10.0 billion annual dividend obligation exceeds our reported annual net income for each year since our inception. Our ability to maintain a positive net worth has been and continues to be adversely affected by market conditions. If we have a negative net worth as of the end of future fiscal quarters, we expect that FHFA will request on our behalf additional funds from Treasury under the senior preferred stock purchase agreement. Receiving additional funds from Treasury under the senior preferred stock purchase agreement will increase the liquidation preference of and the dividends we owe on the senior preferred stock. As a result, we will need additional funds from Treasury to meet our dividend obligation to Treasury.

In addition, beginning in 2011, the senior preferred stock purchase agreement requires that we pay a quarterly commitment fee to Treasury. Treasury waived this fee for the first quarter of 2011 due to adverse conditions in the mortgage market and to its belief that imposing the commitment fee would not generate increased compensation for taxpayers. Treasury indicated that it would reevaluate whether to set the fee in the next quarter. The aggregate liquidation preference and dividend obligations relating to the senior preferred stock will increase by the amount of any required dividend on the senior preferred stock we fail to pay in cash and by the amount of any required quarterly commitment fee that we fail to pay. The substantial dividend obligations and potentially substantial quarterly commitment fees on the senior preferred stock, coupled with our effective inability to pay down draws under the senior preferred stock purchase agreement, will continue to strain our financial resources and have an adverse impact on our results of operations, financial condition, liquidity and net worth, both in the short and long term.

FHFA is authorized or required to place us into receivership under specified conditions, which would result in the liquidation of our assets. Amounts recovered from the liquidation may be insufficient to cover our obligations, including our guaranty obligations to certificateholders.

FHFA has an obligation to place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations for a period of 60 days after the deadline for the filing with the SEC of our annual report on Form 10-K or our quarterly report on Form 10-Q. Because of the credit-related expenses we expect to incur on mortgage loans we hold that we acquired before 2009 and our dividend obligation to Treasury, we will continue to need funding from Treasury to avoid triggering FHFA's obligation. Although Treasury committed to providing us with funds in accordance with the terms of the senior preferred stock purchase agreement, Treasury may not be able to make funds available to us within the required 60 days if providing the funds would cause the government to exceed its authorized debt ceiling. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons, including conditions that FHFA has already asserted existed at the time the former Director of FHFA placed us into conservatorship.

A receivership would terminate the conservatorship. In addition giving FHFA the powers that has as our conservator, the appointment of FHFA as our receiver would terminate all rights and claims that our shareholders and creditors may have against our assets or under our charter arising from their status as shareholders or creditors, except for their right to payment, resolution or other satisfaction of their claims as permitted under the Federal Housing Finance Regulatory Reform Act of 2008 (the "2008 Reform Act'). Unlike a conservatorship, the purpose of which is to conserve our assets and return us to a sound and solvent condition, the purpose of a receivership is to liquidate our assets and resolve claims against us.

The appointment of FHFA as our receiver would permit FHFA to exercise certain powers that could adversely affect certificateholders, as described below.

Repudiation of Contracts. In its capacity as receiver, FHFA could repudiate any contract entered into by Fannie Mae prior to its appointment as receiver, including our guaranty obligations to holders of certificates offered by this prospectus, if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae's affairs. The 2008 Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver.

If FHFA, as receiver, were to repudiate our guaranty obligations, the receivership estate would be liable for damages as of the date of receivership under the 2008 Reform Act. Any such liability could be satisfied only to the extent our assets were available for that purpose.

Moreover, if our guaranty obligations were repudiated, payments of principal and/or interest to certificateholders would be reduced as a result of borrowers' late payments or failure to pay or a direct servicer's failure to remit borrower payments to the trust. In that case, trust administration fees would be paid from mortgage loan payments prior to distributions to certificateholders. Any damages paid as the result of the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

Transfer of Guaranty Obligation. In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of Fannie Mae without any approval, assignment or consent from us or any other party. If FHFA, as receiver, were to transfer our guaranty obligations to another party, certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

Rights of Certificateholders. During a receivership, certain rights of certificateholders under the trust documents may not be enforceable against FHFA, or enforcement of such rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a receiver, certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of certificateholders consents. The 2008 Reform Act may prevent certificateholders from enforcing their rights to replace Fannie Mae as trustee if the event of default arises solely because a receiver has been appointed.

The 2008 Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Fannie Mae is a party, or obtain possession of or exercise control over any property of Fannie Mae, or affect any contractual rights of Fannie Mae, without the approval of FHFA as receiver, for a statutorily specified period following the appointment of FHFA as receiver.

If we are placed into receivership and do not or cannot fulfill our guaranty obligations, certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. Certificateholders have certain limited rights to proceed against Treasury if we fail to pay under our guaranty. The total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. See "The Trust Agreement—*Certificateholder Rights Upon Guarantor Event of Default*" in this prospectus.

If we emerge from conservatorship and at a later date FHFA again were to put us into conservatorship, FHFA as conservator would have the authority of a new conservator, which could adversely affect our contracts, including our guaranty, and restrict or eliminate certain rights of certificateholders.

For so long as we remain in the current conservatorship and are not placed into receivership, (i) FHFA has no authority to repudiate any contracts entered into after we were placed into conservatorship, including our guaranty related to certificates we issued during our conservatorship, and (ii) the rights of holders of certificates issued during our conservatorship are not restricted by the 2008 Reform Act.

If we emerge from conservatorship and at a later date FHFA again were to put us into conservatorship, (x) FHFA would have all of the authority of a new conservator (which is similar to the authority of a receiver described above), including the authority to repudiate the guaranty associated with certificates we issued during the initial conservatorship, and (y) certain rights of holders of certificates issued before and during the initial conservatorship would again be restricted or eliminated.

Our business and results of operations may be materially adversely affected if we are unable to retain and hire qualified employees.

Our business processes are highly dependent on the talents and efforts of our employees. The uncertainty of our future and the public policy debate surrounding GSE reform, as well as limitations on employee compensation, our inability to offer equity compensation, and our conservatorship, have adversely affected and may in the future adversely affect our ability to retain and recruit well-qualified employees. We face competition from within the financial services industry and from businesses outside the financial services industry for qualified employees. An improving economy is likely to put additional pressures on turnover, as attractive opportunities become available to our employees. If we lose a significant number of employees and are not able to quickly recruit and train new employees, it could negatively affect customer relationships and goodwill, and could have a material adverse effect on our ability to do business and our results of operations. In addition, management turnover may impair our ability to manage our business effectively. Since August 2008, we have had significant departures by various members of senior management, including two Chief Executive Officers and two Chief Financial Officers. Further turnover in key management positions and challenges in integrating new management could harm our ability to manage our business effectively and ultimately adversely affect our financial performance.

Since 2008, we have experienced substantial deterioration in the credit performance of mortgage loans that we own or that back our guaranteed Fannie Mae mortgage-related securities. We expect this trend to continue and to result in additional credit-related expenses.

We are exposed to mortgage credit risk relating to both the mortgage loans that we hold in our investment portfolio and the mortgage loans that back all of the guaranteed mortgage-related securities that we issue. When borrowers fail to make required payments of principal and interest on their mortgage loans, we are exposed to the risk of credit losses and credit-related expenses.

While serious delinquency rates improved in recent months, conditions in the housing market contributed to a deterioration in the credit performance of the mortgage loans that we hold or that back our guaranteed mortgage-related securities, negatively affecting default rates and average loan loss severity on the loans as well as contributing to our elevated inventory of foreclosed properties. Increases in delinquencies, default rates and loss severity cause us to experience higher credit-related expenses. Credit performance has also been negatively affected by the extent and duration of the decline in home prices and high unemployment. These credit performance trends have been notable in certain of our higher risk loan categories, states and vintages. In addition, home price declines, adverse market conditions, and continuing high levels of unemployment also have affected credit performance. Moreover, home price declines have resulted in a large number of borrowers with "negative equity" in their properties (that is, they owe more on their mortgage loans than their houses are worth), which increases the likelihood either that these borrowers will strategically default on their mortgage loans even if they have the ability to continue to make the required payments or that their homes will be sold in a "short sale" for significantly less than the unpaid amount of the loans.

Adverse credit performance trends may resume, particularly if we experience further national and regional declines in home prices, weak economic conditions and high unemployment.

We expect further losses and write-downs relating to our investment securities.

We experienced significant fair value losses and other-than-temporary write-downs relating to our investment securities in 2008 and recorded significant write-downs of some of our available-for-sale securities in 2009. A substantial portion of these losses and write-downs related to our investments in private-label mortgage-backed securities backed by Alt-A and subprime single-family mortgage loans and, in the case of fair value losses, our investments in commercial mortgage-backed securities due to the decline in home prices and the weak economy. We expect to experience additional write-downs of our investments in private-label mortgage-related securities, including those that continue to be AAA-rated.

If the market for securities we hold in our investment portfolio is not liquid, we must use a greater amount of management judgment to value the securities. Moreover, later valuations and any price we ultimately would realize if we were to sell these securities could be materially lower than the estimated fair value at which we carry them on our balance sheet.

Any of the above factors could require us to record additional write-downs in the value of our investment portfolio, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Our business activities are significantly affected by the conservatorship and the senior preferred stock purchase agreement.

We are currently under the control of our conservator, FHFA, and do not know when or how the conservatorship will be terminated. FHFA, as conservator, can direct us to enter into contracts or enter into contracts on our behalf and generally has the power to transfer or sell any of our assets or liabilities. In addition, our directors do not have any duties to any person or entity except to the conservator. As a result, our directors are not obligated to consider the interests of the company, the holders of our equity or debt securities or the certificateholders of our mortgage-backed certificates in making or approving a decision, unless specifically directed to do so by the conservator.

The conservator has determined that while we are in conservatorship, we will be limited to continuing our existing core business activities and taking actions necessary to advance the goals of the conservatorship. In view of the conservatorship and the reasons stated for its establishment, it is likely that our business model and strategic objectives will continue to change, possibly significantly, including those in pursuit of our public mission and other non-financial objectives. Among other things, we could experience significant changes in the size, growth, and characteristics of our guarantor and investment activities, and we could further change our operational objectives, including our pricing strategy in our core mortgage guaranty business. Accordingly, our strategic and operational focus going forward may not be consistent with the investment objectives of our investors. In addition, we may be directed to engage in activities that are operationally difficult, costly to implement, or unprofitable.

The senior preferred stock purchase agreement with Treasury includes a number of covenants that significantly restrict our business activities. We cannot, without the prior written consent of Treasury, pay dividends (except on the senior preferred stock); sell, issue, purchase or redeem Fannie Mae equity securities; sell, transfer, lease or otherwise dispose of assets in specified situations; engage in transactions with affiliates other than on arm's-length terms or in the ordinary course of business; issue subordinated debt; or incur indebtedness that would result in our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are allowed to own. In deciding whether to consent to any request for approval it receives from us under the agreement, Treasury has the right to withhold its consent for any reason and is not required by the agreement to consider any particular factors, including whether or not our management believes that the transaction would benefit the company. Pursuant to the senior preferred stock purchase agreement, the maximum allowable amount of mortgage assets we may own on December 31, 2010 is $810 billion. (Our mortgage assets were approximately $788.8 billion as of that date.) On December 31, 2011, and on each December 31 thereafter, our mortgage assets may not exceed 90% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year. The maximum allowable amount is reduced annually until it reaches $250 billion. This limit on the amount of mortgage assets we are permitted to hold could constrain the amount of delinquent loans we purchase from single-family trusts, which could increase our costs. The limit could also require us to sell mortgage assets at unattractive prices. These factors may adversely affect our business, results of operations, financial condition, liquidity and net worth.

Efforts we are required or asked to undertake by FHFA, other government agencies or Congress in pursuit of providing liquidity, stability and affordability to the mortgage market and providing assistance to struggling homeowners, or in pursuit of other goals, may adversely affect our business, results of operations, financial condition, liquidity and net worth.

Before the conservatorship, our business was managed with a strategy to maximize shareholder returns, while fulfilling our mission. Our conservator has directed us to focus primarily on minimizing our credit losses from delinquent mortgage loans and providing assistance to struggling homeowners to help them remain in their homes. As a result, we may continue taking actions designed to address this focus that could adversely affect our economic returns, possibly significantly. These actions may include increasing or reducing our guaranty fees on new mortgage loans and extending the maturity date, lowering the interest rate or deferring or forgiving principal owed by borrowers. These activities may have short- and long-term adverse effects on our business, results of operation, financial condition, liquidity and net worth. Other agencies of the U.S. government or Congress also may ask us to undertake significant efforts to support the housing and mortgage markets and aid struggling homeowners. For example, under the Administration's Making Home Affordable Program, we are offering the Home Affordable Modification Program. We have incurred substantial costs in connection with this program.

We may be unable to meet our housing goals and duty to serve requirements, and actions we take to meet these requirements may adversely affect our business, results of operations, financial condition, liquidity and net worth.

To meet our housing goals obligations, a portion of the mortgage loans we acquire must be made to low- or very-low income families, families in low-income census tracts, and moderate-income families in minority census tracts or designated disaster areas. In addition, when a final duty-to-serve rule is issued, we will have a duty to serve three underserved markets: manufactured housing, affordable housing preservation and rural areas. We may take actions to meet these obligations that could increase our credit losses and credit-related expenses. If we fail to meet our housing goals in a given year and FHFA finds that the goals were feasible, or if we fail to comply with our duty-to-serve requirements, we may become subject to a housing plan that could require us to take additional steps that could have an adverse effect on our financial condition. The housing plan must describe the actions we would take to meet the goals and/or duty to serve in the next calendar year and be approved by FHFA. With respect to our housing goals, the potential penalties for failure to comply with housing plan requirements are a cease-and-desist order and civil money penalties.

Mortgage market conditions during 2010 negatively affected our ability to meet our goals. These conditions included a reduction in single-family borrowing by low-income purchasers following the expiration of the home buyer tax credits, an increase in the share of mortgage loans made to moderate-income borrowers due to low interest rates, continuing high unemployment, strengthened underwriting and eligibility standards, increased standards of private mortgage insurers and the increased role of the Federal Housing Administration (the "FHA") in acquiring goals-qualifying mortgage loans. Some or all of these conditions are likely to continue in 2011. We cannot predict the impact that market conditions during 2011 will have on our ability to meet our 2011 housing goals and duty to serve requirements.

Limitations on our ability to access the debt capital markets could have a material adverse effect on our ability to fund our operations and generate net interest income.

Our ability to fund our business depends primarily on our ongoing access to the debt capital markets. Our level of net interest income depends on how much lower our cost of funds is compared to what we earn on our mortgage assets. Market concerns about matters such as the extent of government support for our business and the future of our business (including future profitability, future structure, regulatory actions and GSE status) could have a severe negative effect on our access to the unsecured debt markets, particularly for long-term debt. We believe that our ability in 2010 to issue debt of varying maturities at attractive pricing resulted from federal government support of us and the financial markets, including the purchase by the Federal Reserve System ("Federal Reserve") of our debt and mortgage-related securities. As a result, we believe that our status as a GSE and continued federal government support of our business are essential to maintaining our access to debt funding. Changes or perceived changes in the government's support of us or the markets could have a material adverse effect on our ability to fund our operations.

On February 11, 2011, Treasury and HUD released a report to Congress on reforming America's housing finance market. The report provides that the Administration will work with FHFA to determine the best way to responsibly wind down both Fannie Mae and Freddie Mac. The report emphasizes the importance of proceeding with a careful transition plan and providing the necessary financial support to Fannie Mae and Freddie Mac during the transition period. However, there can be no assurance that the government will continue to support us or that our current level of access to debt funding will continue.

In addition, future changes or disruptions in the financial markets could significantly change the amount, mix and cost of funds we obtain, as well as our liquidity position. If we are unable to issue both short- and long-term debt securities at attractive rates and in amounts sufficient to operate our business and meet our obligations, it likely would interfere with the operation of our business and have a material adverse effect on our liquidity, results of operations, financial condition and net worth.

Our liquidity contingency plans may be difficult or impossible to execute during a liquidity crisis.

We believe that our liquidity contingency plans may be difficult or impossible to execute during a liquidity crisis. As a result, if we cannot access the unsecured debt markets, our ability to repay maturing indebtedness and fund our operations could be significantly impaired. If adverse market conditions resulted in our being unable to access the unsecured debt markets, our alternative sources of liquidity consist of our cash and other investments portfolio and the unencumbered mortgage assets in our mortgage portfolio.

We believe that the amount of mortgage-related assets that we could successfully borrow against or sell in the event of a liquidity crisis or significant market disruption is substantially lower than the amount of mortgage-related assets that we hold. Due to the large size of our portfolio of mortgage assets, current market conditions, and the significant amount of distressed assets in our mortgage portfolio, it is unlikely that there would be sufficient market demand for large amounts of these assets over a prolonged period of time, particularly during a liquidity crisis, which could limit our ability to borrow against or sell these assets.

If we were able to obtain funding by selling or pledging mortgage-related securities as collateral, we anticipate that a discount would be applied that would reduce the value assigned to those securities. Depending on market conditions at the time, this discount would result in proceeds significantly lower than the current market value of these securities and would thereby reduce the amount of financing that we would obtain. In addition, our primary source of collateral is Fannie Mae mortgage-backed securities that we own. In the event of a liquidity crisis in which the future of our company is uncertain, counterparties may be unwilling to accept Fannie Mae mortgage-backed securities as collateral. As a result, we may not be able to sell or borrow against these securities in sufficient amounts to meet our liquidity needs.

A decrease in the credit ratings on our senior unsecured debt would likely have an adverse effect on our ability to issue debt on reasonable terms and trigger additional collateral requirements.

Our borrowing costs and our access to the debt capital markets depend in large part on the high credit ratings on our senior unsecured debt. Credit ratings on our debt are subject to revision or withdrawal at any time by the rating agencies. Actions by governmental entities that affect the support we receive from Treasury could adversely affect the credit ratings on our senior unsecured debt. While there have been no recent changes in our credit ratings as of the date of this prospectus, on April 20, 2011, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's"), revised its outlook on the debt issues of Fannie Mae to negative from stable. This action followed the revision by Standard & Poor's to the outlook of the U.S. government's long-term credit rating to negative from stable. Standard & Poor's noted that the ratings on Fannie Mae and other government-related entities are constrained by the long-term sovereign rating on the U.S. government and noted that it will not raise the outlooks or ratings on these entities above the U.S. government as long as the ratings and outlook on the U.S. remain unchanged. Moreover, Standard & Poor's stated that if it were to lower its ratings on the U.S. government, it would likely lower the ratings on the debt of Fannie Mae and other government-related entities. A reduction in our credit ratings would likely increase our borrowing costs, limit our access to the capital markets and trigger additional collateral requirements under our derivatives contracts and other borrowing arrangements. It may also reduce our earnings and materially adversely affect our liquidity, our ability to conduct our normal business operations, our financial condition and our results of operations.

Deterioration in the credit quality of, or defaults by, one or more of our institutional counterparties could result in financial losses, business disruption and decreased ability to manage risk.

We face the risk that one or more of our institutional counterparties may fail to fulfill their contractual obligations to us. Unfavorable market conditions since 2008 have adversely affected the liquidity and financial condition of our institutional counterparties. Our primary exposures to institutional counterparty risk are with mortgage seller/servicers that service the mortgage loans that we hold in our mortgage portfolio or that back our Fannie Mae mortgage-related securities, including mortgage seller/servicers that are obligated to repurchase loans from us or reimburse us for losses in certain circumstances; third-party providers of credit enhancement on the mortgage assets that we hold in our mortgage portfolio or that back our Fannie Mae mortgage-backed securities, including mortgage insurers, lenders with risk-sharing arrangements, and financial guarantors; issuers of other securities, including issuers of private label mortgage-related securities and derivatives counterparties.

We may have multiple exposures to one counterparty as many of our counterparties provide several types of services to us. For example, our lender customers or their affiliates also act as derivatives counterparties, mortgage servicers, custodial depository institutions or document custodians. Some may also issue private-label mortgage-related securities or other securities that we own. As a result, if one of these counterparties were to become insolvent or otherwise default on its obligations to us, it could harm our business and financial results in a variety of ways.

An institutional counterparty may default in its obligations to us for a number of reasons, such as changes in financial condition that affect its credit rating, a reduction in liquidity, operational failures or insolvency. A number of our institutional counterparties are currently experiencing financial difficulties that may negatively affect the ability of these counterparties to meet their obligations to us and the amount or quality of the products or services they provide to us. Counterparty defaults or limitations on their ability to do business with us could result in significant financial losses or hamper our ability to do business, which would adversely affect our business, results of operations, financial condition, liquidity and net worth.

We routinely execute a high volume of transactions with counterparties in the financial services industry. Many of the transactions in which we engage with these counterparties expose us to credit risk relating to the possibility of a default by our counterparties. In addition, if these transactions are secured, our credit risk may be exacerbated if the collateral that we hold cannot be realized or can be liquidated only at prices too low to recover the full amount of the loan or derivative exposure. We have exposure to these financial institutions in the form of unsecured debt instruments and derivatives transactions. As a result, we could incur losses relating to defaults under these instruments or relating to impairments to the carrying value of our assets represented by these instruments. These losses could materially and adversely affect our business, results of operations, financial condition, liquidity and net worth.

We depend on our ability to enter into derivatives transactions to manage the duration and prepayment risk of our mortgage portfolio. Any loss of our access to our derivatives counterparties could adversely affect our ability to manage these risks, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Deterioration in the credit quality of, or defaults by, one or more of our mortgage insurer counterparties could result in nonpayment of claims under mortgage insurance policies, business disruption and increased concentration risk.

We rely heavily on mortgage insurers to provide insurance against borrower defaults on conventional single-family mortgage loans with loan-to-value ratios over 80% at the time we acquire the loans. The current weakened financial condition of our mortgage insurer counterparties creates a significant risk that these counterparties will fail to fulfill their obligations to reimburse us for claims under insurance policies. Since January 1, 2009, the insurer financial strength ratings of all of our major mortgage insurer counterparties have been downgraded to reflect their weakened financial condition, in some cases more than once. One of our mortgage insurer counterparties ceased issuing commitments for new mortgage insurance in 2008 and, under an order received from its regulator, is now paying all valid claims 60% in cash and 40% by the creation of a deferred payment obligation, which may be paid in the future.

A number of our mortgage insurers publicly disclosed that they have exceeded or may exceed the state-imposed risk-to-capital limits under which they operate and may not have access to sufficient capital to continue to write new business in accordance with state regulatory requirements. In addition, a number of our mortgage insurers have received waivers from their regulators regarding state-imposed risk-to-capital limits. However, these waivers are temporary. Some mortgage insurers have been exploring corporate restructurings, intended to provide relief from risk-to-capital limits in certain states. A restructuring plan that would involve contributing capital to a subsidiary would result in less liquidity available to its parent company to pay claims on its existing book of business and an increased risk that its parent company will not pay its claims in full in the future.

If mortgage insurers are not able to raise capital and, therefore, exceed their risk-to-capital limits, they will likely be forced into run-off or receivership unless they can secure a waiver from their state regulator. This would increase the risk that they will fail to pay our claims under insurance policies, and could also cause the quality and speed of their claims processing to deteriorate. If our assessment of the ability of any mortgage insurer counterparty to fulfill its obligations to us worsens and our internal credit rating for the insurer is further downgraded, it could result in a significant increase in our loss reserves and a significant increase in the fair value of our guaranty obligations.

Many mortgage insurers stopped insuring new single-family mortgage loans that have higher loan-to-value ratios or lower borrower credit scores or that are secured by certain property types, which has contributed to the reduction in our single-family business volumes for high loan-to-value ratio loans. As our charter generally requires us to obtain credit enhancement on a conventional single-family mortgage loan with a loan-to-value ratio over 80% at the time we acquire the loan, an inability to find suitable credit enhancement may inhibit our ability to pursue new business opportunities, meet our housing goals and otherwise support the housing and mortgage markets. For example, where mortgage insurance or other credit enhancement is not available, we may be hindered in our ability to refinance loans into more affordable loans. In addition, access to fewer mortgage insurer counterparties will increase our concentration risk with the remaining mortgage insurers in the industry.

The loss of business volume from any one of our key lender customers could adversely affect our business and result in a decrease in our revenues.

Our ability to generate revenue from the purchase and securitization of mortgage loans depends on our ability to acquire a steady flow of mortgage loans from the originators of those loans. We acquire most of our mortgage loans through mortgage purchase volume commitments that are negotiated annually or semiannually with lender customers and that establish a minimum level of mortgage volume that these customers will deliver to us. We acquire a significant portion of our mortgage loans from several large mortgage lenders. During 2010, our top five lender customers, in the aggregate, accounted for approximately 62% of our single-family business volume, with three of our customers accounting for greater than 52% of our single-family business volume. Accordingly, maintaining our current business relationships and business volumes with our top lender customers is critical to our business.

The mortgage industry has been consolidating, and a decreasing number of large lenders originate most single-family mortgage loans. The loss of business from any one of our major lender customers could adversely affect our revenues and the liquidity of Fannie Mae mortgage-backed securities, which in turn could have an adverse effect on their market value. In addition, as we become more reliant on a smaller number of lender customers, our negotiating leverage with these customers decreases, which could diminish our ability to price our products optimally.

In addition, many of our lender customers are experiencing, or may experience in the future, financial and liquidity problems that may affect the volume of business they are able to generate. Many of our lender customers also strengthened their lending criteria, which reduced their loan volume. If any of our key lender customers significantly reduces the volume or quality of mortgage loans that the lender delivers to us or that we are willing to acquire from them, we could lose significant business volume that we might be unable to replace, which could adversely affect our business and result in a decrease in our revenues. Our demands that our lender customers repurchase or compensate us for losses on loans that do not meet our underwriting and eligibility standards or that back private-label mortgage-related securities that we own may strain our relationships with our lender customers and may also result in our customers reducing the volume of loans they provide us. A significant reduction in the volume of mortgage loans that we securitize could reduce the liquidity of your certificates, which in turn could have an adverse effect on their market value.

Challenges to the MERS® System could pose counterparty, operational, reputational and legal risks for us.

MERSCORP, Inc. is a privately held company that maintains an electronic registry (the "MERS System") to track servicing rights and ownership of loans in the United States. Mortgage Electronic Registration Systems, Inc. ("MERS"), a wholly owned subsidiary of MERSCORP, Inc., can serve as a nominee for the owner of a mortgage loan and, in that role, become the mortgagee of record for the loan in local land records. Fannie Mae seller/servicers may choose to use MERS as a nominee; however, we have prohibited servicers from initiating foreclosures on Fannie Mae loans in MERS's name. Approximately half of the loans we own or guarantee are registered in MERS's name, and the related servicing rights are tracked in the MERS System. The MERS System is widely used by participants in the mortgage finance industry. Along with a number of other organizations in the mortgage finance industry, we are a shareholder of MERSCORP, Inc.

Several legal challenges have been made disputing MERS's legal standing to initiate foreclosures and/or act as nominee in local land records. These challenges have focused public attention on MERS and on how loans are recorded in local land records. As a result, these challenges could negatively affect MERS's ability to serve as the mortgagee of record in some jurisdictions. In addition, where MERS is the mortgagee of record, it must execute assignments of mortgages, affidavits and other legal documents in connection with foreclosure proceedings. As a result, investigations by governmental authorities and others into the servicer foreclosure process deficiencies discussed above may impact MERS. On April 13, 2011, federal banking regulators and FHFA announced that they were taking enforcement action against MERS to address significant weaknesses in, among other things, oversight, management supervision and corporate governance at MERS that were uncovered as part of the regulators' review of mortgage servicers' foreclosure processing. Failures by MERS to apply prudent and effective process controls and to comply with legal and other requirements could pose counterparty, operational, reputational and legal risks for us. If investigations or new regulation or legislation restricts servicers' use of MERS, our counterparties may be required to record all mortgage transfers in land records, incurring additional costs and time in the recordation process. At this time, we cannot predict the ultimate outcome of these legal challenges to MERS or the impact on our business, results of operations and financial condition.

Operational control weaknesses could materially adversely affect our business, cause financial losses and harm our reputation.

Shortcomings or failures in our internal processes, people or systems, including our inadvertent dissemination of confidential or inaccurate information, could have a material adverse effect on our risk management, liquidity, financial statement reliability, financial condition and results of operations; disrupt our business; and result in legislative or regulatory intervention, liability to customers, and financial losses or damage to our reputation. For example, our business is dependent on our ability to manage and process, on a daily basis, an extremely large number of transactions across numerous and diverse markets and in an environment in which we must make frequent changes to our core processes in response to changing external conditions. These transactions are subject to various legal and regulatory standards.

We rely upon business processes that are highly dependent on people, legacy technology, and the use of numerous complex systems and models to manage our business and produce books and records upon which our financial statements are prepared. This reliance increases the risk that we may be exposed to financial, reputational or other losses as a result of inadequately designed internal processes or systems, or failed execution of our systems. Our operational risk management efforts are aimed at reducing this risk.

We continue to implement our operational risk management framework, which consists of a set of integrated processes, tools, and strategies designed to support the identification, assessment, mitigation and control, and the reporting and monitoring, of operational risk. We also have made a number of changes in our structure, business focus and operations during the past two years, as well as changes to our risk management processes, to keep pace with changing external conditions. These changes, in turn, have necessitated modifications to or development of new business models, processes, systems, policies, standards and controls. While we believe that the steps we have taken and are taking to enhance our technology and operational controls and organizational structure will help to identify, assess, mitigate, control, and monitor operational risk, our implementation of our operational risk management framework may not be effective to manage these risks and may create additional operational risk as we execute these enhancements.

In addition, we have experienced, and we expect we may continue to experience, substantial changes in management, employees and our business structure and practices since the conservatorship began. These changes could increase our operational risk and result in business interruptions and financial losses. In addition, due to events that are wholly or partially beyond our control, employees or third parties could engage in improper or unauthorized actions, or our systems could fail to operate properly, which could lead to financial losses, business disruptions, legal and regulatory sanctions, and reputational damage.

Our business is subject to laws and regulations that restrict our activities and operations, which may prohibit us from undertaking activities that management believes would benefit our business and may limit our ability to diversify our business.

As a federally chartered corporation, we are subject to the limitations imposed by the Federal National Mortgage Association Charter Act (the "Charter Act"), extensive regulation, supervision and examination by FHFA and regulation by other federal agencies, including Treasury, HUD and the SEC. Our primary regulator, FHFA, has management authority over us in its role as our conservator. We are also subject to other laws and regulations that affect our business, including those regarding taxation and privacy.

The Charter Act defines our permissible business activities. For example, we may not originate mortgage loans, or acquire single-family loans with original principal balances greater than the then-applicable conforming limits, and our business is limited to the U.S. housing finance sector. In addition, our conservator has determined that, while in conservatorship, we will not be permitted to engage in new products and will be limited to continuing our existing business activities and taking actions necessary to advance the goals of the conservatorship. As a result of these limitations on our ability to diversity our operations, our financial condition and earnings depend almost entirely on conditions in a single sector of the U.S. economy, specifically, the U.S. housing market. The weak and unstable condition of the U.S. housing market over the past three to four years, therefore, has had a significant adverse effect on our results of operation, financial condition and net worth, which is likely to continue.

Mortgage fraud could result in significant financial losses and harm to our reputation.

We use a process of delegated underwriting in which lenders make specific representations and warranties about the characteristics of the mortgage loans we purchase and securitize. As a result, we do not independently verify most borrower information that is provided to us. This exposes us to the risk that one or more of the parties involved in a transaction (the borrower, seller, broker, appraiser, title agent, lender or servicer) will engage in fraud by misrepresenting facts about a mortgage loan. We have experienced financial losses resulting from mortgage fraud, including institutional fraud perpetrated by counterparties. In the future, we may experience additional financial losses or reputational damage as a result of mortgage fraud.

Risks Relating to Our Industry

A further decline in U.S. home prices or activity in the U.S. housing market would likely cause higher credit losses and credit-related expenses, and lower business volumes.

We expect weakness in the real estate financial markets to continue in 2011. The deterioration in the credit condition of outstanding mortgage loans will result in the foreclosure of some troubled loans, which is likely to add to excess inventory of unsold homes. We also expect heightened default and severity rates to continue during this period, and home prices, particularly in some geographic areas, may decline further. Any resulting increase in delinquencies or defaults, or in severity, will likely result in a higher level of credit losses and credit-related expenses, which in turn will reduce our earnings and adversely affect our net worth and financial condition.

Our business volume is affected by the rate of growth in total U.S. residential mortgage debt outstanding and the size of the U.S. residential mortgage market. The rate of growth in total U.S. residential mortgage debt outstanding has declined substantially in response to the reduced activity in the housing market and declines in home prices, and we expect single-family mortgage debt outstanding will continue to decline in 2011. A decline in the rate of growth in mortgage debt outstanding reduces the unpaid principal balance of mortgage loans available for us to purchase or securitize, which in turn could reduce our net interest income and guaranty fee income. Even if we are able to increase our share of the secondary mortgage market, our increased share may not be sufficient to make up for the decline in the rate of growth in mortgage originations, which could adversely affect our results of operations and financial condition.

The Dodd-Frank Act and other regulatory changes in the financial services industry may negatively affect our business.

The Dodd-Frank Act will significantly change the regulation of the financial services industry. These changes include the creation of new standards related to regulatory oversight of systemically important financial companies, derivatives, asset-backed securitization, mortgage underwriting, and consumer financial protection. This legislation will directly and indirectly affect many aspects of our business and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. The Dodd-Frank Act and related future regulatory changes could require us to change certain business practices, cause us to incur significant additional costs, limit the products we offer, require us to increase our regulatory capital or otherwise adversely affect our business. In addition, implementation of this legislation will result in increased supervision and more comprehensive regulation of our customers and counterparties in the financial services industry, which may have a significant impact on the business practices of our customers and counterparties, as well as on our counterparty credit risk.

Examples of aspects of the Dodd-Frank Act and related future regulatory changes that, if applicable, may significantly affect us include mandatory clearing of certain derivatives transactions, which could impose significant additional costs on us; minimum standards for residential mortgage loans, which could subject us to increased legal risk for loans we purchase or guarantee; and the development of credit risk retention regulations applicable to residential mortgage loan securitizations, which could affect the types and volume of loans sold to us. We could also be designated as a "systemically important" nonbank financial company subject to supervision and regulation by the Federal Reserve. If this were to occur, the Federal Reserve would have the authority to examine us and could impose stricter prudential standards on us, including risk-based capital requirements, leverage limits, liquidity requirements, credit concentration limits, resolution plan and credit exposure reporting requirements, overall risk management requirements, contingent capital requirements, enhanced public disclosures, and short-term debt limits. Regulators have been seeking public comment regarding the criteria for designating nonbank financial companies for heightened supervision.

Because federal agencies have not completed the extensive rulemaking processes needed to implement and clarify many of the provisions of the Dodd-Frank Act, it is difficult to assess fully the impact of this legislation on our business and industry at this time, and we cannot predict what similar changes to statutes or regulations will occur in the future.

Recent revisions by the Basel Committee on Banking Supervision to international capital requirements, referred to as Basel III, may also have a significant impact on us or on the business practices of our customers and counterparties. Depending on how they are implemented by regulators, the Basel III rules could be the basis for a revised framework for GSE capital standards that could increase our capital requirements. The Basel III rules could also affect investor demand for our debt and mortgage-backed securities, including the certificates, and could limit the ability of some lenders to count their rights to service mortgage loans toward meeting their regulatory capital requirements, which may reduce the economic value of mortgage servicing rights. As a result, a number of our customers and counterparties may change their business practices.

In addition, the actions of Treasury, the U.S. Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve and international central banking authorities directly or indirectly affect financial institutions' cost of funds for lending, capital raising and investment activities, which may increase our borrowing costs or make borrowing more difficult for us. Changes in monetary policy are beyond our control and difficult to anticipate.

Legislative and regulatory changes could affect us in substantial and unforeseeable ways and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. In particular, these changes could affect our ability to issue debt and may reduce our customer base.

Structural changes in the financial services industry may negatively affect our business.

The financial market crisis has resulted in mergers of some of our most significant counterparties. Consolidation of the financial services industry has increased and may continue to increase our concentration risk to counterparties in this industry. Moreover, we are and may become more reliant on a smaller number of institutional counterparties, which both increases our risk exposure to any individual counterparty and decreases our negotiating leverage with these counterparties. The structural changes in the financial services industry and legislative or regulatory changes could affect us in substantial and unforeseeable ways and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Risks Relating to the Class RV Certificates

There can be no assurance that any holder of Class RV Certificates will have the ability to comply with its obligation to pay the Liquidity Amount.

Holders of the Class RV1 Certificates and Class RV2 Certificates will be required to fund amounts equal to certain principal advances and servicing advances on the underlying REMIC securities ("Liquidity Amounts") as more fully described in the Information Memorandum. These amounts are expected to be substantial, and may be required to be paid each month for the entire life of this transaction. There can be no assurance that any holder of Class RV Certificates will have the ability to comply with its obligation to pay the Liquidity Amount.

Any transfer of Class RV Certificates in violation of restrictions on transfer of Class RV Certificates may cause any person holding any Class RV Certificate to incur a liability for any federal tax that would not otherwise be imposed but for the violative transfer of Class RV Certificates.

The Class RV Certificates will be subject to certain restrictions on transfer as more fully described in "Description of the Certificates—*Restrictions on Transfer of the Class RV Certificates*" in this prospectus. Any transfer of Class RV Certificates in violation of these restrictions may cause any person holding any Class RV Certificate to incur a liability for any federal tax imposed under the Internal Revenue Code of 1986, as amended (the "Code") that would not otherwise be imposed but for the violative transfer of Class RV Certificates. See "Certain Federal Income Tax Consequences—*Special Characteristics of the Class RV Certificates*" in this prospectus.

Risks Relating to the Nature of HECMs

Changes to servicing requirements may affect the weighted average lives or and related yield to holders of the underlying REMIC securities.

If a borrower under a HECM is in violation of the terms of the mortgage for failure to perform an obligation under the mortgage, and if approval is requested and obtained from HUD by the servicer, such HECM will be due and payable. However, before submitting a request to HUD to declare the HECM due and payable, the FHA servicing requirements require that, with respect to any failure to pay taxes and insurance, the servicer ensure that all applicable loss mitigation strategies have been exhausted.

HUD may provide additional guidance or change its guidance with respect to the FHA servicing requirements at any time. Any changes may significantly decrease or increase the time period between when a HECM is in default and when it can be declared due and payable. Any such decisions by the servicer or changes in these requirements with respect to HECMs in default may affect the amount and timing of payments on these HECMs, and therefore may significantly affect the weighted average lives of, and the related yield to holders of, the underlying REMIC securities and, by extension, the certificates offered by this prospectus.

The underlying mortgage loans are nonrecourse loans without scheduled monthly payments of principal or interest by the related borrowers.

If a borrower or a borrower's estate does not pay the amount due upon a maturity event, or if a borrower otherwise defaults, the servicer, on behalf of the underlying trust, will be able to satisfy such borrower's payment obligation only by selling the mortgaged property securing the mortgage loan. There can be no recourse against the income or other assets of a borrower or the estate. As a result, deterioration in the condition of a property or the quality of a neighborhood, or the occurrence of other events or circumstances that adversely affect real property values, could reduce recoveries on the underlying mortgage loans and, to the extent there is any shortfall in the amount covered by the related FHA insurance, could result in shortfalls or losses to holders of the certificates offered by this prospectus to the extent not otherwise covered by the Fannie Mae guaranty with respect to the underlying REMIC securities.

Generally, HECMs such as the underlying mortgage loans are not repaid immediately at maturity, but continue to accrue interest until repayment by the related borrower or the foreclosure of the mortgage loan and liquidation of the related mortgaged property. No income of a borrower may be attached, and no other property or assets of a borrower or a borrower's estate may be seized and sold to satisfy the mortgage loan payment obligation.

None of the underlying mortgage loans provides for scheduled monthly payments of principal or interest by the borrowers. In each case, accrued interest is added to the principal balance of the related mortgage loan. Although the borrowers may prepay the underlying mortgage loans in whole or in part at any time without penalty, it is generally anticipated that a borrower will not make any payment until the related mortgage loan has matured. See "The Mortgage Pool—*The Mortgage Loans*" in the attached Information Memorandum.

DESCRIPTION OF THE CERTIFICATES

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

General

Structure. We will create the Fannie Mae Grantor Trust 2011-T1 specified on the cover page of this prospectus (the "Trust") pursuant to a trust agreement (the "Trust Agreement") dated as of May 1, 2011 (the "Issue Date"). We will execute the Trust Agreement in our corporate capacity and in our capacity as trustee (the "Trustee"). We will issue the Certificates specified on the cover page of this prospectus pursuant to the Trust Agreement.

The Guaranteed Grantor Trust Pass-Through Certificates 2011-T1 offered by this prospectus (the "Certificates") will represent beneficial ownership interests in the Trust. The assets of the Trust will consist of those classes of Mortgage Equity Conversion Asset Trust 2011-1, Mortgage-Backed Certificates, Series 2011-1, bearing the corresponding designations specified under "Summary—Corresponding Classes" in this prospectus (such corresponding certificates, the "Underlying REMIC Securities"). As further described in the Information Memorandum, the Underlying REMIC Securities will be backed by a pool of home equity conversion reverse mortgage loans that are included in an underlying trust (the "Underlying Trust"). The assets of the Underlying Trust will consist of these reverse mortgage loans, as more fully described in the Information Memorandum under the heading "The Mortgage Pool".

Fannie Mae Guaranty. We guarantee that on each Distribution Date we will pay to Certificateholders:

- interest in the amount paid on the corresponding class of Underlying REMIC Securities and
- principal in the amount paid on the corresponding class of Underlying REMIC Securities.

If we were unable to perform our guaranty obligations, Certificateholders would receive only the amounts actually paid and other recoveries on the Underlying REMIC Securities without taking into account our guaranty. If that happened, defaults and other shortfalls on the underlying loans could directly affect the amounts that Certificateholders would receive each month. **Our guaranty is not backed by the full faith and credit of the United States**.

Characteristics of Certificates. The Class A Certificates will be represented by one or more certificates which will be registered in the name of the nominee of The Depository Trust Company ("DTC"). DTC will maintain the Certificates through its book-entry facilities. The "Holder" or "Certificateholder" of a DTC Certificate is the nominee of DTC. 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. The Class RV Certificates shall each be issuable in fully registered, certificated form as a single certificate with a 100% percentage interest. The "Holder" or "Certificateholder" of a Class RV Certificate is its registered owner. A Class RV Certificate can be transferred at the corporate trust office of the Transfer Agent, or at the office of the transfer Agent in New York, New York. U.S. Bank National Association in Boston, Massachusetts will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of a Class RV Certificate and may require payment to cover any tax or other governmental charge. See also "—*Special Characteristics of the Class RV Certificates*" below.

Authorized Denominations. We will issue each the Class A Certificates in minimum denominations of $100,000 and in increments of $1 in excess thereof. The Class RV Certificates shall each be issuable in fully registered certificated form as a single certificate with a 100% percentage interest.

Distribution Date. Beginning in June 2011, we will make payments on the Certificates in respect of principal and interest, to the extent received from the Underlying REMIC Securities, on the 25th day of each month or, if the 25th is not a business day (as defined in the Information Memorandum), on the first business day after the 25th. We refer to each such date as a "Distribution Date."

Record Date. On each Distribution Date, we will make each monthly payment to Certificateholders who were Holders of record on the last day of the month preceding the month in which that Distribution Date occurs.

Class Factor. On or before each Distribution Date, we will publish a class factor (carried to eight decimal places) for each Class of the Certificates. When the class factor is multiplied by the original principal balance of a Certificate of that Class, the product will equal the current principal balance of that Certificate after taking into account payments on that Distribution Date.

Auction Call. As described in the Information Memorandum, on the Distribution Date following the first Distribution Date on which the aggregate actual principal balance of the underlying mortgage loans in either loan group is less than or equal to 1% of the aggregate stated principal balance of the mortgage loans in such loan group as of the cut-off date, the co-trustee of the Underlying Trust will conduct an auction to sell the mortgage loans in such loan group and the other related assets in the Underlying Trust.

Voting the Underlying REMIC Securities. Holders of the Underlying REMIC Securities may have to vote on issues arising under the documents governing the Underlying Trust. The Trustee shall not vote the Underlying REMIC Securities except upon direction to do so from Holders of at least 51% of the related class of Certificates.

The Underlying REMIC Securities

The Underlying REMIC Securities represent beneficial interests in the pool of loans held in the Underlying trust.

The Underlying REMIC Securities generally represent an entitlement to the applicable portion of the interest and principal due on the underlying loans, subject to the payment priorities specified in the Information Memorandum. Interest and/or principal payable on each Class of the Underlying REMIC Securities will be passed through to Holders of the corresponding Class of Certificates. Interest at the applicable pass-through rate will accrue on the outstanding principal balance of the Underlying REMIC Securities as described in the Information Memorandum.

None of the underlying mortgage loans provides for scheduled monthly payments of principal or interest by the borrowers. In each case, accrued interest is added to the principal balance of the related mortgage loan. Although the borrowers may prepay the underlying mortgage loans in whole or in part at any time without penalty, it is generally anticipated that a borrower will not make any payment until the related mortgage loan has matured. See “The Mortgage Pool—*The Mortgage Loans*” in the attached Information Memorandum.

Principal on the Underlying REMIC Securities will be paid based on the specific cash flow sequences described in the Information Memorandum. As a result, the rate of principal payments on the Underlying REMIC Securities may vary considerably from time to time.

See the Information Memorandum for detailed information about each Class of Underlying REMIC Securities.

Book-Entry Procedures

General. The Class A Certificates will be registered in the name of the nominee of DTC, a New York chartered limited purpose trust company, or any successor depository that we select or approve (the “Depository”). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the Certificates, whether held for its own account or as a nominee for another person. Initially, we will act as Paying Agent for the Certificates. In addition, U.S. Bank National Association will perform certain administrative functions with respect to the Certificates.

A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the Class A Certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains the account for you. In turn, the record ownership of the intermediary will be recorded on the records of the Depository. If the intermediary is not a Depository Participant, the intermediary’s record ownership will be recorded on the records of a Depository Participant acting as an agent for the financial intermediary. Neither the Trustee nor the Depository will recognize an investor as a Certificateholder. Therefore, you must rely on these various arrangements to transfer your beneficial interest in the Certificates and comply with the procedures of your financial intermediary and of Depository Participants. In general, ownership of Certificates will be subject to the prevailing rules, regulations and procedures governing the Depository and Depository Participants.

Method of Distribution. We will direct payments on the Certificates to the Depository in immediately available funds. The Depository will credit the payments to the accounts of the Depository Participants entitled to them, in accordance with the Depository’s normal procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York clearing house. Each Depository Participant and each financial intermediary will direct the payments to the investors in the Certificates that it represents. Accordingly, investors may experience a delay in receiving payments.

Restrictions on Transfer of the Class RV Certificates

The Class RV Certificates will be subject to the following restrictions on transfer and will contain a legend describing such restrictions.

We will not permit any transfer of a Class RV Certificate 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.

In addition, we will not permit the transfer of a Class RV Certificate to any person that is not a "U.S. Person" or a foreign person subject to United Stated income taxation on a net basis on income derived from that Class RV 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 treated as a corporation or partnership for United Stated federal income tax purposes organized in or under the laws of the United States, any State thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations provide otherwise);
- 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.

Each person or entity to which a Class RV Certificate is transferred will be required to execute an affidavit, acceptable to us, that:

- the transferee is a U.S. Person or a foreign person subject to United States income taxation on a net basis on income derived from that Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security;
- 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 Stated income taxation on a net basis on income derived from that Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security;
- the transferee is not a disqualified organization;
- it is not acquiring the Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security for the account of a disqualified organization;
- it consents to any amendment of the related trust documents that we deem necessary (upon the advice of our counsel) to ensure that the Class RV Certificate and the related Underlying REMIC Security will not be owned directly or indirectly by a disqualified organization;
- it is not acquiring the Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security 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 Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security;

- it intends to pay taxes on the Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security as they become due;

- it will not cause income from the Class RV Certificate and its beneficial ownership in the related Underlying REMIC Security to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer; and

- it will not transfer the Class RV Certificate unless it has received from the new transferee an affidavit containing these same representations and it does not have actual knowledge that this other affidavit is false.

The transferee must also deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds a Class RV Certificate, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

Under regulations issued by Treasury, the transfer of a "noneconomic residual interest" will be disregarded for all federal tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. A Class RV Certificate generally will represent beneficial ownership of a noneconomic residual interest unless, at the time of the transfer, two conditions are met. First, the present value of the expected future payments on the underlying residual certificate is no less than the product of the "anticipated excess inclusions" on that certificate and the highest corporate rate of tax for the year in which the transfer occurs. Second, the transferor reasonably expects that the transferee will receive payments from the applicable trust in an amount sufficient to satisfy the liability for income tax on any "excess inclusions" at or after the time when the liability accrues. The term "anticipated excess inclusions" means excess inclusions that are anticipated to be allocated to each calendar quarter (or portion of a quarter) following the transfer of the Class RV Certificate, determined as of the date the Class RV Certificate is transferred and based on events that have occurred as of that date and on prepayment assumptions.

Under the regulations, the phrase "a significant purpose of the transfer to impede the assessment or collection of tax" means that the transferor of a residual certificate had "improper knowledge" at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the related REMIC. A transferor is presumed not to have improper knowledge if four conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee represents to the transferor that the transferee understands that it may incur tax liabilities in excess of any cash that it will receive on the residual certificate and that it intends to pay taxes on the residual certificate as they become due. Third, the transferee represents that it will not cause income from the residual certificate to be attributable to a foreign permanent establishment or fixed base of the transferee or another U.S. taxpayer. Fourth, the transfer satisfies either the "asset test" or the "formula test." If you plan to transfer a Class RV 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" and it agrees in writing that any subsequent transfer of the residual certificate 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 certificate will not be paid. A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the residual 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 a Class RV Certificate.

Holders of Class RV Certificates will not be able to transfer their ownership of such Certificates unless the prospective transferee meets certain ratings requirements described in the Information Memorandum and acknowledges its obligation to make payments of the Liquidity Amount by signing the agreement in the form attached as Exhibit C to the Trust Agreement.

Payments of Interest

Interest Distribution Amount. On each Distribution Date, we will pay to the Certificateholders an amount of interest equal to the interest amount paid on the corresponding class of Underlying REMIC Securities on that Distribution Date.

Payments of Principal

Principal Distribution Amount. On each Distribution Date, we will pay to the Holders of each Class of Certificates an amount of principal equal to the principal amount, if any, paid on the corresponding class of Underlying REMIC Securities on that Distribution Date.

Liquidity Amounts

Holders of the Class RV Certificates will be required to fund Liquidity Amounts on a monthly basis, as more described in the Information Memorandum. These amounts are expected to be substantial, and may be required to be paid each month for the entire life of this transaction.

Yield, Modeling Assumptions, Decrement Table, Weighted Average Life

See the section of the Information Memorandum entitled “Yield, Prepayment and Maturity Considerations” with respect to the Underlying REMIC Securities.

THE TRUST AGREEMENT

In the sections below, we summarize certain provisions of the Trust Agreement that are 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 what we have summarized in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

Reports to Certificateholders

As soon as practicable on or shortly before each Distribution Date, we will publish (in print or otherwise) the class factor for each Class of Certificates. The “class factor” is a number (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate, will equal the principal balance of that Certificate that will still be outstanding after taking into account current month principal payments, liquidity amounts and negative amortization amounts, as applicable.

We will post on our Web site, or otherwise make available, any information required by the federal income tax laws.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that we may resign from our obligations and duties as Trustee at any time, effective only after a successor has assumed our obligations and duties.

The Trust Agreement also provides that neither we nor any of our directors, officers, employees or agents will be under any liability to the Trust or to the Certificateholders for errors in judgment or for any action we take, or refrain from taking, in good faith pursuant to the Trust Agreement. However, neither we nor any such person will be protected against any liability due to willful misfeasance, bad faith, gross negligence or willful disregard of obligations and duties.

In addition, the Trust Agreement also provides that we are not under any obligation to appear in, prosecute or defend any legal action that is not incidental to our responsibilities under the Trust Agreement and that in our opinion may involve us in any expense or liability. However, in our discretion, we may undertake any legal action that we deem necessary or desirable in the interests of the Certificateholders. In that event, we will pay the legal expenses and costs of the action, which generally will not be reimbursable out of the trust fund.

Any corporation into which we are merged or consolidated, any corporation that results from a merger, conversion or consolidation to which we are a party or any corporation that succeeds to our business will be our successor under the Trust Agreement.

Guarantor Events of Default

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

- if we fail to make a required payment to the Certificateholders of any Class and our failure continues uncorrected for 15 days after we receive written notice from Certificateholders who represent ownership interests totaling at least 5% of that Class that it has not been paid and a demand that it be cured; or

- 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 we receive written notice of our failure and a demand that it be cured from Certificateholders who represent ownership interests totaling at least 25% of any Class; or

- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Certificateholders Rights upon Guarantor Event of Default

If one of the Guarantor Events of Default listed above has occurred and continues uncorrected while Fannie Mae is the Trustee, at the direction of Certificateholders of any Class representing at least 51% of the Voting Rights of that Class, Fannie Mae will resign or be removed as the Trustee, and, to the extent permitted by law, all of the rights and obligations of the Trustee will be terminated by notifying the

Trustee in writing. The Certificateholders providing the direction referenced above will then be authorized to name and appoint one or more successor Trustees.

Amendment

We may amend the Trust Agreement for any of the following purposes without notifying the Certificateholders:

- to correct an error;

- to correct, modify or supplement any provision in the Trust Agreement that is inconsistent with any other provision of this prospectus or the Information Memorandum;

- to cure an ambiguity of supplement a provision of the Trust Agreement, provided that such cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the provisions of the Trust Agreement;

- based upon the written advice of our tax counsel, (i) to ensure that the record ownership of, or any beneficial interest in, any Class RV Certificate is not transferred, directly or indirectly, to a disqualified organization and (ii) to provide for a means to compel the transfer of any Class RV Certificate that is held by a disqualified organization to a Holder that is not a disqualified organization; and

- to make any other amendments with respect to matters or question arising under the Trust Agreement so long as such action will not (i) materially and adversely affect the interest of any Holder or (ii) have any material adverse tax consequences to Holders, as evidenced by an opinion of counsel to the Trust.

If the Certificateholders that represent ownership interests totaling at least 51% of each affected Class consent, we may amend the Trust Agreement for any purpose or waive any provision of the Trust Agreement, except that without the consent of all Holders of the Certificates, we may not enter into any amendment or otherwise engage in any activity that will (i) reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Certificate or (ii) reduce the percentage of voting rights required to consent to any waiver or any amendment.

Termination

The Trust Agreement will terminate when the Underlying REMIC Securities have been paid in full or liquidated, and their proceeds distributed. In no event, however, will the Trust continue beyond the last day of the 50th year following the first Distribution Date.

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, and such changes may have retroactive effect.

- 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.

U.S. Treasury Circular 230 Notice

The tax discussions contained in this prospectus were not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. These discussions were 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.

Taxation of Beneficial Owners of Certificates

Our special tax counsel, Katten Muchin Rosenman LLP, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a trust under subpart E of part I of subchapter J of the Code and not as an association taxable as a corporation. The Underlying REMIC Securities will be the assets of the Trust. Each beneficial owner of a Certificate will be treated as the beneficial owner of an undivided interest in the corresponding class of Underlying REMIC Securities held by the Trust. Consequently, each beneficial owner of a Certificate will be required to report its pro rata share of the income with respect to the corresponding class of Underlying REMIC Securities, and a sale or other disposition of a Certificate will constitute a sale or other disposition of a pro rata portion of the corresponding class of Underlying REMIC Securities. In addition, each beneficial owner of a Certificate will be required to include in income its allocable share of the expenses paid by the Trust.

Each beneficial owner of a Certificate can deduct its allocable share of the expenses paid by the Trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting. A beneficial owner's ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate directly or through an investment in a "pass-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, non-grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner's other miscellaneous itemized deductions, exceed 2% of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or nongrantor trust (not including expenses of the Trust) that would not have been incurred if the property were not held in such non-grantor trust or estate are allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Taxation of the Underlying REMIC Securities

The Information Memorandum discusses tax consequences to holders of the Underlying REMIC Securities. The Information Memorandum states that each holder of an Underlying REMIC security will be deemed to own an interest in a REMIC, with the underlying Class A certificates representing "regular interests" in each REMIC elected by the Underlying Trust and treated as debt instruments of such REMIC and the underlying Class RV certificates representing "residual interests" in each REMIC elected by the Underlying Trust. Because a beneficial owner of a Certificate will be required to report its pro rata share of the income accruing with respect to the corresponding class of Underlying REMIC Securities and will be required to treat the sale or other disposition of a Certificate as the sale or other disposition of a pro rata portion of the corresponding class of Underlying REMIC Securities you should review the discussion there.

The Information Memorandum states that, taking into account certain assumptions described therein, each underlying Class A certificate will qualify as a "regular interest" in a "real estate mortgage investment conduit" and each underlying Class RV certificate will qualify as a "residual interest" in a "real estate mortgage investment conduit" within the meaning of the Code. Qualification as a REMIC requires initial and ongoing compliance with certain conditions. The remainder of this discussion assumes that all the requirements for qualification as a REMIC have been, and will continue to be, met with respect to the Underlying Trust. The Class A Certificates and the Class RV Certificates will be treated as "regular or residual interests in a REMIC" for domestic building and loan associations, as "real estate assets" for real estate investment trusts, and, except for the Class RV Certificates, as "qualified mortgages" for other REMICs.

Special Characteristics of the Class RV Certificates

The Holder of a Class RV Certificate will be considered to be the holder of the "residual interest" in the underlying REMIC. Such Holder generally will be required to report its daily portion of the taxable income or net loss of the REMIC to which that Certificate relates. In certain periods, a Holder of a Class RV Certificate may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. Pursuant to the Trust Agreement, we will be obligated to provide to the Holder of a Class RV Certificate (i) information necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding residual interests that may be required under the Code. See "Certain Material Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*" in the Information Memorandum.

Information Reporting and Backup Withholding

Within a reasonable time after the end of each calendar year, a statement will be made available to each Certificateholder that received a distribution during that year 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 certificateholders of Class RV Certificates, information necessary to compute the daily portions of the taxable income (or net loss) of the underlying REMIC for each day during that year.

If there is more than one Holder of Class RV Certificates for a taxable year, each Holder of a Class RV Certificate is required to treat items on its return consistently with the treatment on the return of the REMIC, unless the Holder of such Class RV Certificate either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC. The Internal Revenue Service ("IRS") may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level.

Distributions of interest and principal, as well as distributions of the proceeds from the sale of Certificates, may be subject to the "back up withholding tax" under section 3406 of the Code if recipients of the distributions fail to furnish to the payer 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

Additional rules apply to a beneficial owner of a Certificate that is not a U.S. Person (a "Non-U.S. Person"). The term "U.S. Person" means:

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any state thereof 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 at least one U.S. person has the authority to control all substantial decisions of the trust.

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

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

These rules do not apply to exempt from taxation interest income allocable to a United States shareholder of a beneficial owner that is a "controlled foreign corporation" described in section 881 (c) (3) (C) of the Code. You also should be aware that the IRS might take the position that these rules do not apply to a beneficial owner that also owns 10% or more of the residual interest in the Underlying Trust or of the voting stock of Fannie Mae.

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 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 or other federal or state agencies with similar authority, you should review any applicable rules, guidelines and regulations prior to purchasing the Certificates. You should also review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, sets fourth guidelines for financial institutions investing in certain types of mortgage-related securities, including securities such as the Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate.

Pursuant to the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"), securities that we issue (such as the Certificates) are legal investments for entities created under the laws of the United States or any state whose authorized investments are subject to state regulation to the same extent as obligations issued or guaranteed by the United States or any of its agencies or instrumentalities. Under SMMEA, if a state enacted legislation prior to October 4, 1991 specifically limiting the legal investment authority of any such entities with respect to securities that we issue or guarantee, those securities will constitute legal investments for such entities only to the extent provided in the legislation. Certain states adopted such legislation prior to the October 4, 1991 deadline. **You should consult your own legal advisors in determining whether and to what extent the 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

The following is a summary of certain considerations associated with an investment in Certificates on behalf of a plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (such as employer-sponsored pension and profit sharing plans) and 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 some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as "Plans."

A fiduciary considering investing assets of a plan in a Certificate should consult its legal advisor about ERISA, fiduciary and other legal considerations before making such an investment. Specifically, before authorizing an investment in Certificates, any such fiduciary should, after considering the plan's particular circumstances, determine whether the investment is appropriate under the plan's governing documents and whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law, including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor (the "Plan Asset Regulations") generally provide that when a plan acquires an interest in an entity that is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act of 1940, the plan's assets include both the security and an undivided interest in each of the underlying assets of the issuer unless it is established that an exception under the Plan Asset Regulations applies. The application of this general rule could cause the sponsor, trustee and other servicers of a mortgage pool to be subject to the fiduciary responsibility rules of ERISA or cause transactions involving the operation of the mortgage pool to be prohibited transactions under ERISA or the Code.

The Plan Asset Regulation provides that the general rule stated above does not apply to a plan's acquisition of a guaranteed governmental mortgage pool certificate. The definition of "guaranteed governmental mortgage pool certificate" includes 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 Plan Asset Regulations, investment by a Plan in a "guaranteed governmental mortgage pool certificate" does not cause the assets of the Plan to include an interest in the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Katten Muchin Rosenman LLP, has advised us 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.

The Certificates provide that no transfer of the Certificates may be made to a plan or a person acting on behalf of, or using assets of, a plan. "Plan" for this purpose has the same meaning as when used in this Section.

PLAN OF DISTRIBUTION

We will deposit the Underlying REMIC Securities from the Mortgage Equity Conversion Asset Trust 2011-1 into the Trust in exchange for the Certificates. We plan to retain the Certificates in our portfolio. We may, in the future, offer some or all of the Certificates from time to time in negotiated transactions at varying prices to be determined at the time of sale. We may effect these transactions to or through dealers. Merrill Lynch, Pierce, Fenner & Smith Incorporated has provided various services to Fannie Mae in connection with the Certificates.

LEGAL MATTERS

Katten Muchin Rosenman LLP will provide legal representation for Fannie Mae.

INDEX OF DEFINED TERMS

INFORMATION MEMORANDUM

$9,255,811,613 (Approximate)

(subject to a permitted variance of plus or minus 5%)

MORTGAGE EQUITY CONVERSION ASSET TRUST 2011-1
MORTGAGE-BACKED CERTIFICATES, SERIES 2011-1

BA RESIDENTIAL SECURITIZATION LLC
Depositor

FANNIE MAE
Seller and Guarantor

Mortgage Equity Conversion Asset Trust 2011-1 (the "Issuer" or the "Trust") will issue on the Closing Date the four classes of certificates described herein (collectively, the "Certificates"). The assets of the Issuer will primarily consist of a pool of home equity conversion reverse mortgage loans ("HECMs") that are insured by the Federal Housing Administration ("FHA") and secured by one to four-family residential properties (the "Mortgage Loans").

This information memorandum has been prepared solely in connection with the issuance of the Certificates to the Federal National Mortgage Association ("Fannie Mae" or the "Seller" or the "Guarantor," as applicable). The Certificates will have the benefit of a guaranty from Fannie Mae as further described herein (the "Fannie Mae Guaranty"). 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 Seller will represent that each of the Mortgage Loans sold by it to BA Residential Securitization LLC (the "Depositor") is insured by the FHA. The Certificates will be limited recourse obligations of the Issuer and will not represent interests in or obligations of the Depositor, the Servicer, the REO Manager, the Delaware Trustee, the Co-Trustee, the Custodians or the Credit Risk Manager or any of their respective affiliates. The Certificates will not be guaranteed or insured by the FHA, the Department of Housing and Urban Development ("HUD") or any other governmental agency or instrumentality.

The Certificates are as follows:

Class	Original Certificate Balance	Certificate Interest Rate	CUSIP
Class A-I Certificates	$8,755,528,440(1)(2)	Variable Rate(3)	61911D AA9
Class RV-I Certificates	$ 30,000,000(1)(2)	Variable Rate(3)(5)	61911D AB7
Class A-II Certificates	$468,283,173(1)(2)	Variable Rate(4)	61911D AC5
Class RV-II Certificates	$ 2,000,000(1)(2)	Variable Rate(4)(5)	61911D AD3

(1) Approximate. Subject to a permitted variance of plus or minus 5%.
(2) Subject to increase as described herein.
(3) Initially approximately 1.58567% per annum (based on the modeling assumptions described under "Yield, Prepayment and Maturity Considerations—Weighted Average Life" in this Information Memorandum); thereafter the weighted average of the Net Mortgage Rates on the Mortgage Loans in Loan Group I. Holders of Certificates should note that the actual initial certificate interest rate for the Class A-I Certificates and Class RV-I Certificates will be different than 1.58567% per annum.
(4) Initially approximately 2.54805% per annum (based on the modeling assumptions described under "Yield, Prepayment and Maturity Considerations—Weighted Average Life" in this Information Memorandum); thereafter the weighted average of the Net Mortgage Rates on the Mortgage Loans in Loan Group II. Holders of Certificates should note that the actual initial certificate interest rate for the Class A-II Certificates and Class RV-II Certificates will be different than 2.54805% per annum.
(5) Subject to reductions in distributions due to prepayment interest shortfalls.

THE CERTIFICATES DESCRIBED HEREIN ARE SUBJECT TO CERTAIN RISK FACTORS, WHICH BEGIN ON PAGE 13.

EACH HOLDER OF A CERTIFICATE (BY VIRTUE OF ITS OWNERSHIP THEREOF) ACKNOWLEDGES AND AGREES THAT IT DOES NOT HAVE ANY DIRECT RIGHTS AGAINST HUD OR THE FHA WITH RESPECT TO THE CONTRACT OF INSURANCE APPLICABLE TO ANY MORTGAGE LOAN.

THE CERTIFICATES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), STATE SECURITIES LAWS OR THE LAWS OF ANY OTHER JURISDICTION AND MAY ONLY BE HELD BY QUALIFIED INSTITUTIONAL BUYERS (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT).

The Depositor has prepared this information memorandum solely in connection with the issuance of the Certificates to Fannie Mae for deposit by Fannie Mae in Fannie Mae Grantor Trust 2011-T1 (the "Fannie Mae Grantor Trust") which will issue the Fannie Mae Guaranteed Grantor Trust Pass-Through Certificates 2011-T1 (the "Fannie Mae Guaranteed Grantor Trust Certificates"). It is a condition to the issuance of the Certificates that Fannie Mae guarantee the Certificates as and to the extent described in this information memorandum. It is expected that the Certificates will be issued on or about May 27, 2011 (the "Closing Date").

The date of this Information Memorandum is May 27, 2011

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INFORMATION MEMORANDUM

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS INFORMATION MEMORANDUM (THE "INFORMATION MEMORANDUM") AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES, NOR AN OFFER OF SUCH SECURITIES TO ANY PERSON IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH AN OFFER WOULD BE UNLAWFUL. THE DELIVERY OF THIS INFORMATION MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

A HOLDER OR POTENTIAL HOLDER OF THE CERTIFICATES (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF SUCH PERSON OR ENTITY) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL RELATED MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO SUCH PERSON OR ENTITY. HOWEVER, SUCH PERSON OR ENTITY MAY NOT DISCLOSE ANY OTHER INFORMATION RELATING TO THIS TRANSACTION UNLESS SUCH INFORMATION IS RELATED TO SUCH TAX TREATMENT AND TAX STRUCTURE.

SUMMARY OF TERMS

- This summary highlights selected information from this document and does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms of the issuance of the Certificates, read carefully this entire Information Memorandum.

- This summary provides an overview of certain calculations, cash flow priorities and other information to aid your understanding and is qualified by the full description of these calculations, cash flow priorities and other information in this Information Memorandum. Some of the information consists of forward-looking statements relating to future economic performance or projections and other financial items. Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include, among others, general economic and business conditions, regulatory initiatives and compliance with governmental regulations, and various other matters, all of which are beyond our control. Accordingly, what actually happens may be very different from what we predict in our forward-looking statements.

- Certain capitalized terms used in this Information Memorandum will have the meanings assigned to them under "Description of the Certificates—Glossary."

The Certificates

The Certificates will consist of the Class A-I (the "Class A-I Certificates"), Class A-II (the "Class A-II Certificates"; and, together with the Class A-I Certificates, the "Class A Certificates"), Class RV-I (the "Class RV-I Certificates") and Class RV-II Certificates (the "Class RV-II Certificates"; and, together with the Class RV-I Certificates, the "Residual Certificates") (collectively, the "Certificates"). The Certificates will be issued pursuant to a trust agreement (the "Trust Agreement"), dated as of May 1, 2011, by and among the Depositor, the Guarantor, the Seller, the Delaware Trustee and the Co-Trustee.

Distributions of interest and principal on the Certificates will be made solely from the Available Distribution Amount for such Distribution Date in accordance with the priority of distribution provisions described herein. *See "Description of The Certificates—Priority of Distributions," in this Information Memorandum.*

The Depositor will deliver the Certificates to Fannie Mae and Fannie Mae will deposit the Certificates into the Fannie Mae Grantor Trust which will issue the Fannie Mae Guaranteed Grantor Trust Certificates backed by the Certificates. The Fannie Mae Guaranteed Grantor Trust Certificates will generally contain the same terms as the Certificates.

The Class RV-I Certificates and Class RV-II Certificates will also represent residual interests in a REMIC. Holders of the Class RV-I Certificates and Class RV-II Certificates will be required to fund Liquidity Amounts. Furthermore, these Certificates will be subject to restrictions on transfer such that they may only be transferred to highly rated institutions. In addition, these Certificates will be subject to restrictions on transfer designed to comply with federal income tax rules.

We refer you to "Certain Material Federal Income Tax Consequences—Tax and Restrictions on Transfers of Residual Certificates to Certain Organizations" and "—Foreign Investors in Certificates" in this Information Memorandum.

Cut-off Date

The close of business on April 30, 2011 (the "Cut-off Date").

Closing Date

On or about May 27, 2011.

Issuer

Mortgage Equity Conversion Asset Trust 2011-1, a Delaware statutory trust.

We refer you to "The Issuer" in this Information Memorandum.

Depositor

BA Residential Securitization LLC, a Delaware limited liability company.

We refer you to "The Depositor" in this Information Memorandum.

Seller and Guarantor

Fannie Mae.

We refer you to "The Seller and Guarantor" in this Information Memorandum.

Originator

All of the Mortgage Loans were originated by Bank of America, National Association, a national banking association ("Bank of America" or the "Originator") either directly (meaning through its retail, wholesale, and correspondent lending channels) or indirectly by an entity acquired (meaning through a stock purchase or asset purchase) by the Originator (each, an "Originating Affiliate").

We refer you to "The Originator" in this Information Memorandum.

Servicer

BAC Home Loans Servicing, LP ("BACHLS" or the "Servicer"), a Texas limited partnership, will service the Mortgage Loans pursuant to a Servicing Agreement dated as of May 1, 2011 (the "Servicing Agreement") among the Seller, the Servicer, the Guarantor, the REO Manager, the Co-Trustee and the Issuer.

We refer you to "The Servicer" in this Information Memorandum.

REO Manager

Reverse Mortgage Solutions, Inc. ("RMS" or the "REO Manager"), a Delaware corporation, will act as REO manager of any mortgaged property acquired by the Issuer through foreclosure (or other comparable conversion of ownership) of a Mortgage Loan (an "REO Property") pursuant to the Servicing Agreement. After the Issuer acquires an REO Property with respect to a related Mortgage Loan, RMS will be responsible for the management and sale of such REO Property. The REO Manager will also review all claims in respect of the Mortgage Loans made by the Servicer to FHA.

We refer you to "The REO Manager" in this Information Memorandum.

Credit Risk Manager

Wells Fargo Bank, National Association, a national banking association (the "Credit Risk Manager"), will monitor the Servicer in its servicing of the Mortgage Loans and the REO Manager in its management of the REO Properties in accordance with the HUD servicing guidelines pursuant to a Credit Risk Management Agreement, dated as of the Closing Date (the "Credit Risk Management Agreement"), among the Servicer, the REO Manager, the Issuer, the Guarantor, the Seller and the Credit Risk Manager.

We refer you to "The Credit Risk Manager" in this Information Memorandum.

Custodians

U.S. Bank National Association ("U.S. Bank"), The Bank of New York Trust Company, N.A., and ReconTrust Company, N.A. (each, a "Custodian" and collectively, the "Custodians").

Delaware Trustee

U.S. Bank Trust National Association, a national banking association (not in its individual capacity but solely as Delaware trustee, the "Delaware Trustee").

We refer you to "The Delaware Trustee" in this Information Memorandum.

Co-Trustee

U.S. Bank National Association, a national banking association (in such capacity, the "Co-Trustee").

We refer you to "The Co-Trustee" in this Information Memorandum.

Distribution Dates

The 25th day of each month or, if such day is not a business day, the next business day thereafter (each such date, a "Distribution Date"), commencing in June 2011.

Interest Accrual Period

With respect to the Certificates and each Distribution Date, the calendar month immediately preceding the related Distribution Date (each such month, an "Interest Accrual Period"). Interest will be calculated for the Certificates based on a 360-day year and twelve 30-day months.

Record Date

With respect to the Certificates, the last business day of the calendar month preceding a Distribution Date (the "Record Date").

Final Scheduled Distribution Date

The Distribution Date in June 2061.

The Mortgage Pool

The mortgage pool (the "Mortgage Pool") will consist of approximately 60,374 Mortgage Loans with an aggregate Stated Principal Balance as of the Cut-off Date (with respect to each Mortgage Loan, the related "Cut-off Date Balance") of approximately $9,255,811,613. Each of the Mortgage Loans was originated by the Originator or an Originating Affiliate and sold to the Seller prior to the Closing Date. On the Closing Date, the Mortgage Loans will be transferred by the Seller to the Depositor pursuant to the terms of the Mortgage Loan Purchase Agreement, and by the Depositor to the Co-Trustee on behalf of the Issuer, pursuant to the terms of the Trust Agreement.

The Mortgage Pool will be divided into two loan groups (each a "Loan Group" and together the "Loan Groups"). The first loan group ("Loan Group I," and the Mortgage Loans in such Loan Group, the "Group I Loans") will consist of approximately 57,443 Mortgage Loans with an aggregate Cut-off Date Balance of approximately $8,785,528,440 (the "Group I Cut-off Date Aggregate Balance"). The second loan group ("Loan Group II," and the Mortgage Loans in such Loan Group, the "Group II Loans") will consist of approximately 2,931 Mortgage Loans with an aggregate Cut-off Date Balance of approximately $470,283,173 (the "Group II Cut-off Date Aggregate Balance"). The mortgage rate on each Group I Loan is calculated based on an index of One-Year CMT and the mortgage rate on each Group II Loan is calculated based on an index of One-Month LIBOR.

All statistical information relating to the collateral characteristics of the Mortgage Loans described in this Information Memorandum are subject to variance: up to 5% of the Mortgage Loans (by aggregate Cut-off Date Balance) may be added or removed from the Trust prior to the Closing Date. The statistical information included in this Information Memorandum, other than the initial number and aggregate Cut-off Date Balance of the Mortgage Loans in the aggregate and in Loan Group I as described in the two preceding paragraphs, includes or is calculated using information from three additional Group I Loans, with an aggregate Stated Principal Balance as of the Cut-off Date of approximately $734,999, which Mortgage Loans will not be included in the final Mortgage Pool and are not used in determining the initial Certificate Principal Balances of the Certificates.

Each Mortgage Loan is a non-recourse loan to the related borrower. Each Mortgage Loan is secured by a first lien on the related mortgaged property.

We refer you to "The Mortgage Pool—The Mortgage Loans" and "The Mortgage Loan Purchase Agreement and The Servicing Agreements—Repurchases of Mortgage Loans" in this Information Memorandum.

At origination, each Mortgage Loan was one of the following: (1) a line of credit whereby the borrower receives unscheduled payments or installments, drawn down at times and in amounts of the borrower's choosing, up to the related Net Principal Limit, (2) a tenure loan whereby the borrower is entitled to receive a monthly payment from the mortgagee for the remainder of the borrower's life, (3) a term loan whereby the borrower is entitled to receive a monthly payment from the mortgagee for a specified term, (4) a modified tenure loan, whereby a portion of the principal limit of the loan is made available to the borrower in a series of monthly payments for the remainder of the borrower's life, and the remainder of the principal limit is a line of credit whereby the borrower may borrow, repay and reborrow the portion of the principal thereof, together up to the related Net Principal Limit or (5) a modified term loan, whereby a portion of the principal limit of the loan is made available to the borrower in a series of monthly payments for a specified term, and the remainder of the principal limit is a line of credit whereby the borrower may borrow, repay and reborrow the portion of the principal thereof, together up to the related Net Principal Limit. Each of (1) through (5) of the previous sentence assumes that the borrower (i) continues to occupy the related mortgaged property, (ii) is in compliance with the terms of the related mortgage and the related mortgage note and (iii) is not in default. During the life of the Mortgage Loan, the borrower may at any time and from time to time, change the type of Mortgage Loan (subject to payment of certain change fees).

The amount that the borrower can receive from a Mortgage Loan is determined by calculating its principal limit. The principal limit increases each month by one-twelfth of the sum of the related mortgage rate and the annual mortgage insurance premium rate of 0.50% and represents the aggregate amount that may be advanced to or for the benefit of the borrower. The principal limit at origination is based on the age of the youngest borrower, the expected average mortgage interest rate, and the Maximum Claim Amount. To determine the maximum amount of payments that a borrower can receive after closing, the Net Principal Limit is calculated for the related Mortgage Loan. The "Net Principal Limit" is calculated at origination by subtracting from the principal limit any initial payments that have been made to or on behalf of the borrower, such as the initial mortgage insurance premium payment equal to two percent (2.00%) of the Maximum Claim Amount, closing costs and any cash payments to the borrower, and any funds set aside from the principal limit for monthly servicing fees, mortgage insurance premium payments, repairs, property taxes and/or insurance and any other funds set asides as may be required by HUD. The Net Principal Limit may be drawn by a borrower as monthly payments, or as a line of credit, or both, depending on the type of Mortgage Loan.

When a Mortgage Loan becomes due and payable (whether upon default, the sale or transfer of the related mortgaged property, the death of the last remaining borrower or because the last remaining borrower no longer continues to occupy the mortgaged property), the borrower or his or her estate will be obligated to pay an amount equal to either (i) the Stated Principal Balance of the Mortgage Loan or (ii) the net sales proceeds of the related mortgaged property, if the property is sold by the borrower or his or her estate for at least 95% of the current appraised value of the property at the time of such sale. If the related borrower or the borrower's estate fails to pay the Stated Principal Balance of the Mortgage Loan or sell the related mortgaged property in accordance with such requirements, the Servicer will attempt to recover the Stated Principal Balance of the related Mortgage Loan through foreclosure, deed in lieu of foreclosure and/or sale of the related REO Property. If the proceeds from the sale of the related REO Property are not sufficient, the Servicer on behalf of the Issuer will submit a claim for FHA insurance benefits up to the maximum amount payable in respect of such Mortgage Loan. If the REO Manager is unable to sell the REO Property within six months of the Issuer's acquisition of marketable title, the REO Manager will submit to the Servicer all documentation needed from the REO Manager for the Servicer to submit a claim for FHA insurance benefits based upon an appraisal obtained at the end of that six month period. The Servicer will submit such claim and any supplemental claim as needed; but afterwards no further claims for FHA insurance can be made. Notwithstanding the foregoing, either at the time of foreclosure and/or sale of the related REO Property or the receipt of claim proceeds from HUD, the Guarantor will pay an amount equal to the Stated Principal Balance of the related Mortgage Loan as part of the Guaranteed Amount. See "Fannie Mae Guaranty" in this Summary.

We refer you to "The Mortgage Pool— The Mortgage Loans" in this Information Memorandum for further information regarding the Mortgage Loans.

The FHA Insurance and Mortgage Insurance Premiums

The Seller will represent as of the Closing Date that each of the Mortgage Loans sold by it is subject to insurance from the FHA as authorized under the National Housing Act of 1934, as amended (the "National Housing Act"), and the United States Housing Act of 1937, as amended (the "United States Housing Act"), which insurance is in full force and effect as of the Closing Date. The FHA is an organizational unit within HUD. The FHA was established to encourage improvement in housing standards and conditions and to exert a stabilizing influence on the mortgage market.

The "Maximum Claim Amount" (excluding certain reimbursable amounts of accrued interest, which amounts may be paid in addition to the Maximum Claim Amount) under the FHA insurance with respect to a Mortgage Loan is established at the origination of such Mortgage Loan and is generally equal to the lesser of (a) the appraised value of the Mortgaged Property or (b) the national mortgage limit for a one family residence under Section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (as adjusted where applicable under

Section 214 of the National Housing Act) as of the date of the mortgage loan closing.

A mortgage insurance premium is charged for each Mortgage Loan in the Mortgage Pool to the related borrower for the FHA insurance. Such premium is paid: (1) at the origination of the Mortgage Loan, in an amount equal to 2.00% of the related Maximum Claim Amount and (2) monthly in an amount equal to 1/12th times 0.50% times the Stated Principal Balance of the Mortgage Loan at the time of such premium payment. All such premiums are remitted by the Servicer or the borrower to HUD at origination (with respect to the premium due at origination) and monthly by the Servicer (with respect to each monthly premium).

The mortgage insurance premium for each Mortgage Loan is (1) with respect to the premium due at origination, at the borrower's option, either added to the Stated Principal Balance of the Mortgage Loan or paid in cash by the borrower and (2) with respect to the monthly premiums, added to the Stated Principal Balance of the Mortgage Loan each month as a Principal Advance.

Such mortgage insurance premium payments, in each case, reduce the amount of payments the borrower may receive under its Mortgage Loan by reducing the related Net Principal Limit.

We refer you to "The Mortgage Pool —The FHA Insurance and Mortgage Insurance Premiums" in this Information Memorandum.

In addition, FHA insurance permits the mortgagee of an FHA-insured Mortgage Loan to assign such Mortgage Loan to HUD for payment of the related Maximum Claim Amount (A) if the Stated Principal Balance of such Mortgage Loan is equal to or greater than 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the related Maximum Claim Amount or (B) when a request for a line of credit draw or from a change in the payment plan would cause the Stated Principal Balance of such Mortgage Loan to equal or exceed 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the related Maximum Claim Amount and all other conditions for assignment of such Mortgage Loan to HUD have been satisfied. For each Mortgage Loan which satisfies the above conditions, the Servicer will be required to assign such Mortgage Loan from the Issuer to HUD (any such Mortgage Loan successfully assigned, an "Assigned Mortgage Loan"). However, the Mortgage Loan may not be assignable for many possible reasons, including that such Mortgage Loan (i) has been declared due and payable, (ii) has document deficiencies or (iii) has a borrower who has failed to make required payments with respect to property taxes and hazard insurance. If a Mortgage Loan cannot be assigned, it will remain in the Trust until otherwise liquidated.

In order to obtain the benefit of the FHA insurance on any Mortgage Loan in the Mortgage Pool, the Servicer must have (1) made all required payments to the related borrower (including any required monthly payments and any payments in respect of any draw on a Mortgage Loan that is a line of credit, modified term loan or modified tenure loan) and (2) paid all the required mortgage insurance premium payments related to such Mortgage Loan to HUD. If the Servicer fails to pay the required premium, the FHA insurance for such Mortgage Loan may be terminated.

If the Servicer fails to make payments to the borrower under a Mortgage Loan it services in the Mortgage Pool, the local HUD office will contact the Servicer to determine the reason for non-payment. If the required payment cannot be made by the Servicer or the holder of the Mortgage Loan, then HUD will make the payment and will issue a demand letter to the Servicer and the holder of the related Mortgage Loan requesting reimbursement for such payment. If the Servicer or the holder of the Mortgage Loan does not resume making payments under such Mortgage Loan, the related Mortgage Loan must be assigned to HUD. If HUD accepts such assignment, the Servicer may file a claim for FHA insurance payments. Any eventual claim amount on such assigned Mortgage Loan may be reduced by HUD's administrative expenses. However, if the Servicer fails to reimburse HUD or assign the Mortgage Loan to HUD the insurance contract will be terminated. Upon such termination, no claim for FHA insurance payments can be filed and the Servicer will only be entitled to be reimbursed for payments actually made to the related borrower (less interest thereon and other administrative charges imposed by HUD on payments not made by the Servicer, including late fees and interest) and only upon the payment in full of the related Mortgage Loan.

If the amount of FHA insurance is curtailed or a claim is denied as a result of a servicing error or a failure by the Servicer or the REO Manager to comply with the HUD servicing guidelines, the Servicer or the REO Manager will be required to reimburse the Guarantor or the Trust, as applicable, for the amount of such curtailment or claim, to the extent provided in the Servicing Agreement.

Fees

The Servicer will be entitled to receive a servicing fee (the "Servicing Fee") for each Mortgage Loan in the Mortgage Pool serviced by it of no more than $35 per month. The REO Manager will be entitled to compensation as described herein. The Co-Trustee and the Credit Risk Manager will each be entitled to monthly fees at the rates per annum described herein. The Guarantor will be entitled to a monthly premium (the "Guaranty Fee") at the rate per annum described in the Trust Agreement. The Custodians will be entitled to receive fees as provided in the Custodial Agreements.

These amounts and other amounts in respect of indemnification, taxes and Extraordinary Trust Expenses of these parties will be paid or covered by the Guarantor, the Seller or the Trust as and to the extent described in this Information Memorandum.

We refer you to "Description of the Certificates—Priority of Distributions" in this Information Memorandum.

Servicing of the Mortgage Loans

The Servicer will service the Mortgage Loans pursuant to the terms of the Servicing Agreement. The Servicer will be obligated to make all Principal Advances to borrowers under the Mortgage Loans.

The Servicer will deposit Loan Collections into the collection account established by it pursuant to the Servicing Agreement for the benefit of the Certificateholders (the "Collection Account") within two business days of receipt thereof, to the extent not used for Principal Advances. In addition, the Servicer may reimburse itself for Principal Advances from amounts on deposit in the Collection Account. On the tenth business day of each month (each such date, a "Monthly Remittance Date") the Servicer will transfer all Loan Collections received by it during the preceding Collection Period, net of any amounts applied towards Principal Advances during such Collection Period, to the Co-Trustee for deposit to the certificate account established by the Co-Trustee pursuant to the Trust Agreement for the benefit of the Certificateholders (the "Certificate Account").

In addition, on the Liquidity Amount and Reimbursement Amount Distribution Date, the holder of the Class RV-I Certificates or Class RV-II Certificates, as applicable, will be required to pay to the Co-Trustee an amount equal to the aggregate amount of Principal Advances with respect to the prior Collection Period.

This amount will be used by the Co-Trustee in part to pay to the Servicer the amount necessary to reimburse the Servicer for Principal Advances which have not been paid from or previously reimbursed from collections or amounts in the Collection Account. The remainder will be deposited in the Certificate Account and included in the Available Distribution Amount for the following Distribution Date. The Certificate Principal Balance of such Certificates will increase by the amount paid by the holder of such Certificates to the Co-Trustee. The holder of the Class RV-I Certificates and Class RV-II Certificates will initially be Fannie Mae.

We refer you to "The Servicing Agreement" and "Description of the Certificates" in this Information Memorandum.

Auction Call

On the Distribution Date following the first Distribution Date on which the aggregate Stated Principal Balance of the Mortgage Loans in either Loan Group is less than or equal to 1% of the Group I Cut-off Date Aggregate Balance or Group II Cut-off Date Aggregate Balance, as applicable, the Co-Trustee will conduct an auction to sell the Mortgage Loans in such Loan Group and the other related assets in the Trust as described in this Information Memorandum.

We refer you to "Description of the Certificates—Auction Call" in this Information Memorandum.

Priority of Distributions

On the Monthly Remittance Date, the Servicer will remit collections received from the Mortgage Loans in each Loan Group during the related Collection Period, net of amounts applied toward Principal Advances. Such amounts, together with any Guaranteed Amounts paid by the Guarantor to the Co-Trustee, any Seller Funded Expenses paid by the

Seller to the Co-Trustee, and the portion of the Liquidity Amount not used to reimburse the Servicer, will constitute the Available Distribution Amount in respect of each Loan Group for the related Distribution Date. Distributions from the Available Distribution Amount will be made as follows:

From the Available Distribution Amount in respect of the Group I Loans:

(i) *pro rata*, based on amounts due, to the Custodians, the Co-Trustee and the Credit Risk Manager, their respective Custodial Fees, the Co-Trustee Fee and the Credit Risk Manager Fee, respectively, for such Distribution Date, and to such parties and the Delaware Trustee, any Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) for such Distribution Date, plus any such fees and Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) unpaid from prior Distribution Dates, in each case in respect of the Group I Loans;

(ii) to the Guarantor, its Guaranty Fee in respect of the Group I Loans and any unpaid Guaranty Fees from prior Distribution Dates;

(iii) reimbursement to the Seller for any fees and expenses set forth in clause (i) previously paid by the Seller, to the extent not previously reimbursed;

(iv) to the holders of the Class A-I Certificates and Class RV-I Certificates, *pro rata*, based on the amounts due, the Accrued Certificate Interest for such Certificates for such Distribution Date;

(v) to the holders of the Class A-I Certificates and Class RV-I Certificates, *pro rata*, based on the Certificate Principal Balances thereof immediately prior to such Distribution Date, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero;

(vi) to the Guarantor, in reimbursement for any Guaranteed Amounts paid with respect to the Group I Loans, to the extent not previously reimbursed;

(vii) to the Delaware Trustee, the Custodians, the Co-Trustee and the Credit Risk Manager, in an amount equal to any Extraordinary Trust Expenses not paid pursuant to clause (i) above as a result of the imposition of the Extraordinary Trust Expense Cap, in each case in respect of the Group I Loans; and

(viii) all remaining amounts to the holders of the Class RV-I Certificates, as set forth in the Trust Agreement.

From the Available Distribution Amount in respect of the Group II Loans:

(i) *pro rata*, based on amounts due, to the Custodians, the Co-Trustee and the Credit Risk Manager, their respective Custodial Fees, the Co-Trustee Fee and the Credit Risk Manager Fee, respectively, for such Distribution Date, and to such parties and the Delaware Trustee, any Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) for such Distribution Date, plus any such fees and Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) unpaid from prior Distribution Dates, in each case in respect of the Group II Loans;

(ii) to the Guarantor, its Guaranty Fee in respect of the Group II Loans and any unpaid Guaranty Fees from prior Distribution Dates;

(iii) reimbursement to the Seller for any fees and expenses set forth in clause (i) previously paid by the Seller, to the extent not previously reimbursed;

(iv) to the holders of the Class A-II Certificates and Class RV-II Certificates, *pro rata*, based on amounts due, the Accrued Certificate Interest for such Certificates for such Distribution Date;

(v) to the holders of the Class A-II Certificates and Class RV-II Certificates, *pro rata*, based on the Certificate Principal Balances thereof immediately prior to such Distribution Date, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero;

(vi) to the Guarantor, in reimbursement for any Guaranteed Amounts paid with respect to the Group II Loans, to the extent not previously reimbursed;

(vii) to the Delaware Trustee, the Custodians, the Co-Trustee and the Credit Risk Manager, in an amount equal to any Extraordinary Trust Expenses not paid pursuant to clause (i) above as a result of the imposition of the Extraordinary Trust Expense Cap, in each case in respect of the Group II Loans; and

(viii) all remaining amounts to the holders of the Class RV-II Certificates, as set forth in the Trust Agreement.

Distributions of Interest

The amount of interest that will accrue on the Certificates during an Accrual Period is equal to:

(i) one-twelfth of the Certificate Interest Rate for such Certificates for such period, multiplied by

(ii) the Certificate Principal Balance of such Certificates as of the first day of the related Accrual Period.

Distributions of Principal

On each Distribution Date, principal distributions in respect of the Certificates will be made in the order and priority described under "Priority of Distributions" above and under *"Description of the Certificates—Priority of Distributions"* in this Information Memorandum.

Fannie Mae Guaranty

Fannie Mae, in consideration of the payment of the Guaranty Fee, on the business day prior to each Distribution Date will pay, in accordance with the Fannie Mae Guaranty, an amount equal to the sum of the following, without duplication (the "Guaranteed Amount"): (1) following each date on which the Issuer acquires any REO Property pursuant to foreclosure or any other method of ownership conversion with respect to the related Mortgage Loan (the "Foreclosure Sale Date") which occurs during the related Collection Period, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, (2) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Foreclosure Sale Date and during the related Collection Period, the Stated Principal Balance of the related Mortgage Loan immediately prior to the time of such liquidation, (3) with respect to each Assigned Mortgage Loan for which the related FHA insurance proceeds were received during the related Collection Period, the Stated Principal Balance thereof at the time of receipt of the related FHA insurance proceeds and (4) with respect to the Class A-I Certificates and Class A-II Certificates only, the aggregate amount of prepayment interest shortfalls allocated to such Certificates. The Guaranteed Amount will not cover prepayment interest shortfalls with respect to the Class RV-I Certificates or Class RV-II Certificates. If Fannie Mae were unable to pay under the Fannie Mae Guaranty, the Certificates could be subject to losses and additional shortfalls.

We refer you to "Description of the Certificates—The Fannie Mae Guaranty" in this Information Memorandum.

Seller Funded Expenses

The Seller shall pay the fees of the Custodians, the Co-Trustee and the Credit Risk Manager and Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) of the Delaware Trustee, the Custodians, the Co-Trustee and the Credit Risk Manager to the extent that amounts available pursuant to clauses (i) and (iv) of the definition of Available Distribution Amount for either Loan Group are insufficient to pay such amounts as provided in clause (i) for each Loan Group under "Description of the Certificates—Priority of Distributions" below. To the extent the Seller pays such amounts with respect to the Group I Loans and Group II Loans, respectively, such amounts shall be reimbursed to the Seller as provided in clause (iii) for each Loan Group under "Description of the Certificates—Priority of Distributions" below.

We refer you to "Description of the Certificates—Seller Funded Expenses" in this Information Memorandum.

Prepayment, Yield and Maturity Considerations

The yield to maturity on the Certificates will be sensitive to the rate and timing of principal payments (which will be affected by prepayments, liquidations, insurance/claims proceeds, removals and assignments of Mortgage Loans to HUD, repurchases by the Seller and an auction call, if it occurs) on the related Mortgage Loans in the Mortgage Pool and payments in respect of the Fannie Mae Guaranty. As a result, the yield on the Certificates may fluctuate significantly.

Because the Mortgage Loans may be prepaid at any time without penalty and the Stated Principal Balance of the Mortgage Loans increases as a result of monthly fees and draws thereon by the related borrowers, it is not possible to predict the rate at which holders of the Certificates will receive payments of principal.

We refer you to "Prepayment, Yield and Maturity Considerations" in this Information Memorandum.

United States Federal Income Tax Consequences

One or more elections will be made to treat the trust as one or more real estate mortgage investment conduits, or REMICs, for federal income tax purposes.

For further information regarding the U.S. federal income tax consequences of investing in the Certificates, see *"Certain Material Federal Income Tax Consequences"* in this Information Memorandum.

Ratings

The Certificates will not be rated by any rating agency.

RISK FACTORS

The following information identifies certain significant sources of risk associated with the Certificates. As a result of the coverage of the Fannie Mae Guaranty, many of the risks described below related to potential losses on the Certificates will apply only in the event of a Guarantor Event of Default. However, many of the risks related to potential losses may affect the rate and timing of payments on the Mortgage Loans.

Suitability of the Certificates as Investments

The Certificates are not suitable investments for all prospective holders unless the prospective holder understands the prepayment, credit, liquidity and market risks associated with the Certificates. In addition, with respect to the Class RV-I Certificates and Class RV-II Certificates, a prospective holder must understand its obligation to pay Liquidity Amounts. **There is no active secondary market for the Certificates**. The Certificates are complex securities and HECMs are complex mortgage loans. A prospective holder should possess, either alone or together with an investment advisor, the expertise necessary to evaluate the information contained in this Information Memorandum in the context of its financial situation and tolerance for risk.

Liquidity Amounts

On each Liquidity Amount and Reimbursement Amount Distribution Date, the holder of the related Class RV-I Certificates or Class RV-II Certificates, as applicable, will be required to make a payment to the Co-Trustee in an amount equal to the amount of Principal Advances made by the Servicer during the related Collection Period. These amounts are expected to be substantial, and will be required to be paid each month for the entire life of this transaction. Any amounts paid by such holder of the Class RV-I Certificates or Class RV-II Certificates, as applicable, will be added to the Certificate Principal Balances thereof.

The Class RV-I Certificates and Class RV-II Certificates will be initially held by Fannie Mae. Holders of the Class RV-I Certificates and Class RV-II Certificates will not be able to transfer their ownership of such Certificates unless such subsequent holder meets the Ratings Requirement and acknowledges its obligation to make the payments described above by signing the agreement in the form attached as an exhibit to the Trust Agreement. There can be no assurance that Fannie Mae or any subsequent holder will have the ability to comply with its obligation to pay the Liquidity Amount on any Liquidity Amount and Reimbursement Amount Distribution Date. See "*—Fannie Mae*" below.

We refer you to "Certain Material Federal Income Tax Consequences—Tax and Restrictions on Transfers of Residual Certificates to Certain Organizations" and "—Foreign Investors in Certificates" in this Information Memorandum.

Cash Flow Risk

As described below under "The Mortgage Pool—The Mortgage Loans", HECMs are very different from other types of mortgage loans, as the borrowers do not have to make monthly payments. As a result, it is possible that little or no collections will be received during any Collection Period to make distributions of principal or interest on the Certificates on the following Distribution Date. As a result, holders of the Certificates may not receive distributions of interest and principal on the Certificates on any given Distribution Date or for a long period of time. The Fannie Mae Guaranty does not cover payments of monthly interest or any particular payments of cash flow except to the extent described herein.

The Fannie Mae Guaranty

Payments under the Fannie Mae Guaranty will materially affect the yield to maturity of the Certificates. Fannie Mae will pay an amount equal to (1) following any Foreclosure Sale Date, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, (2) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Foreclosure Sale Date, the Stated Principal Balance of the related Mortgage Loan immediately prior to the time of such liquidation, and (3) with respect to any Assigned Mortgage Loan, the Stated Principal Balance thereof at the time of receipt of the related FHA insurance proceeds. Thereafter, the Stated Principal Balance of such Mortgage Loan will be equal to zero, and the Certificates will no longer receive amounts in respect of interest and principal from such Mortgage Loan. Fannie Mae will be entitled to all subsequent recoveries on such Mortgage Loan, including any FHA insurance proceeds on such Mortgage Loan.

Because Fannie Mae will make a payment in an amount equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date or if it is liquidated for less than the Stated Principal Balance thereof prior to the Foreclosure Sale Date, there will be no delay between these events and the final receipt by the Trust of all proceeds from the related Mortgage Loan. As a result, the weighted average life of the Certificates will be shorter than would otherwise be the case.

The Fannie Mae Guaranty will cover prepayment interest shortfalls allocable to the Class A-I Certificates or Class A-II Certificates.

Fannie Mae

Fannie Mae will guarantee distributions on the Certificates with respect to interest and principal to the extent described in this Information Memorandum. As conservator, the Federal Housing Finance Agency ("FHFA") succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any officer or director of Fannie Mae with respect to the company and its assets. The conservatorship has no specified termination date and there continues to be uncertainty regarding the future of Fannie Mae, including how long it will continue to be in existence.

On February 11, 2011 Treasury and the Department of Housing and Urban Development ("HUD") released a report to Congress on reforming America's housing finance market. The report identifies a number of policy steps that could be used to wind down Fannie Mae and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), reduce the government's role in housing finance and help bring private capital back to the mortgage market. The report states that the Administration will work with FHFA to determine the best way to responsibly wind down both Fannie Mae and Freddie Mac. The report emphasizes the importance of providing the necessary financial support to Fannie Mae and Freddie Mac during the transition period. Congress is expected to continue to hold hearings and consider legislation in 2011 on the future status of Fannie Mae and Freddie Mac. We cannot predict the prospects for the enactment, timing or content of legislative proposals regarding long-term reform of Fannie Mae and Freddie Mac.

FHFA must place Fannie Mae into receivership if the Director of FHFA makes a written determination that its assets are less than its obligations or if it has not been paying its debts, in either case, for a period of 60 days after the deadline for filing with the SEC its annual report on Form 10-K or quarterly report on Form 10-Q, as applicable. If Fannie Mae were placed into receivership, or if it emerged from conservatorship and were then again placed into conservatorship, the receiver or conservator, as applicable, would have the right to repudiate the Fannie Mae Guaranty.

In September 2008, Fannie Mae and Treasury entered into a senior preferred stock purchase agreement under which Treasury committed to provide funds to Fannie Mae under the terms and conditions set forth in the agreement. On a quarterly basis, Fannie Mae generally may draw funds up to the amount, if any, by which its total liabilities exceed its total assets, as reflected on its consolidated balance sheet for the applicable fiscal quarter. On December 24, 2009, the maximum amount of Treasury's funding commitment to Fannie Mae under the senior preferred stock purchase agreement was increased pursuant to an amendment to the agreement. The amendment provides that the maximum amount under the senior preferred stock purchase agreement will increase as necessary to accommodate any net worth deficits for calendar quarters in 2010 through 2012. For any net worth deficits after December 31, 2012, Treasury's remaining funding commitment will be $124.8 billion, less the smaller of either (a) Fannie Mae's positive net worth as of December 31, 2012 or (b) Fannie Mae's cumulative draws from Treasury for the calendar quarters in 2010 through 2012.

Although Fannie Mae is a corporation chartered by the U.S. Congress, its conservator is a U.S. government agency, Treasury owns its senior preferred stock and a warrant to purchase 79.9% of its common stock, and Treasury has made a commitment under the senior preferred stock purchase agreement to provide the company with funds under specified conditions to maintain a positive net worth, the U.S. government does not guarantee its securities or other obligations. Fannie Mae alone is responsible for making payments under the Fannie Mae Guaranty, which is not guaranteed by the United States and does not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

Because of the Fannie Mae Guaranty, the market value of the Certificates may be materially affected by changes in the status of long-term reform of Fannie Mae.

Foreclosure on the HECMs in Default May Be Delayed

Under the FHA servicing requirements established by HUD for HECMs, if a borrower under a HECM fails to pay for real estate taxes and insurance related to the property , fails to occupy the property or fails to complete prescribed repairs in a stated time period, such borrower shall be in violation of the terms of the mortgage for failure to perform an obligation under the mortgage, and, if approval is requested and obtained from HUD by the Servicer, such HECM will be due and payable. However, before submitting a request to HUD to declare the HECM due and payable, the FHA servicing requirements require that, with respect to any failure to pay taxes and insurance, the Servicer ensure that all applicable loss mitigation strategies have been exhausted.

HUD may provide additional guidance or change its guidance with respect to the FHA servicing requirements at any time. Any changes may significantly decrease or increase the time period between when a HECM is in default and when it can be declared due and payable. Any such decisions by the Servicer or changes in these requirements with respect to HECMs in default may affect the amount and timing of payments on these HECMs, and therefore may significantly affect the weighted average lives of, and the related yield to holders of, the Certificates.

Prepayment Interest Shortfalls

With respect to any Mortgage Loan for which a payment in part or in full is received, whether as a result of a prepayment, an insurance payment, or a liquidation, interest will be paid by the related borrower or by HUD, or will be covered by proceeds, only up to the date of such payment, and not for the entire calendar month. Because the Certificates accrue a full month's interest during the prior calendar month on a 30/360 basis, a shortfall will occur to the extent these payments are not received on the last day of the month. The amount of prepayment interest shortfalls will be determined separately with respect to each Loan Group and will be allocated first, to the Class RV-I Certificates or Class RV-II Certificates, as applicable, until the amount of Accrued Certificate Interest for such Certificates on the applicable Distribution Date has been reduced to zero, and then to the Class A-I Certificates or Class A-II Certificates, as applicable; provided, however, that any such shortfalls allocated to the Class A-I Certificates or Class A-II Certificates will then be paid by the Guarantor pursuant to the Fannie Mae Guaranty.

As a result, on any Distribution Date, the Class RV-I Certificates and Class RV-II Certificates may not accrue interest at a rate equal to the weighted average of the Net Mortgage Rates on the Mortgage Loans. The amount of these shortfalls may vary considerably from Distribution Date to Distribution Date and will be affected by the rate and timing of principal payments on the Mortgage Loans. Because all amounts received in respect of the Mortgage Loans, other than those representing payments made on the last day of the month, are generally in a lump sum, prepayment interest shortfalls are expected to occur frequently and the amount will be significant.

The Mortgage Loans May Have Document Deficiencies Which Will Not Result in a Repurchase Unless They Result in a Denial of an FHA Claim

With respect to each Mortgage Loan, the only document for which a certification will be obtained from the related Custodian will be for the related mortgage note (or a lost note affidavit). No certification will be obtained at any point from the Custodians, the Delaware Trustee or the Co-Trustee with respect to the mortgage files other than with respect to the certification provided by the related Custodian with respect to the mortgage note (or a lost note affidavit). As a result, significant delays in foreclosure, an inability to foreclose, or an inability to put Mortgage Loans to HUD at 98% of the Maximum Claim Amount may occur with respect to the Mortgage Loans, which may result in significant delays in the receipt of proceeds. If any Mortgage Loan has a missing mortgage note (and no lost note affidavit), the Seller will be obligated to repurchase such Mortgage Loan at the Repurchase Price within 90 days of the discovery of such defect. However, to the extent the related mortgage file is missing other documents besides the mortgage note (or the lost note affidavit) or such documents are defective, the Seller will be obligated to repurchase such Mortgage Loan at the Repurchase Price only if the following two conditions are met: (1) the Seller is unable to cure such defect within 90 days of the discovery of such defect and (2) such defect results in a denial of the FHA claim. The Seller will be obligated to repurchase such Mortgage Loan within 90 days after receiving notice of the denial of any such FHA claim so long as the insurance relating to such claim has not been reinstated. However, if the Seller does not repurchase such Mortgage Loan, losses may occur. Any such losses on the Mortgage Loans will be allocated to the Certificates to the extent not paid pursuant to the Fannie Mae Guaranty.

Mortgage Loans are Nonrecourse Loans

If a borrower or a borrower's estate does not pay the amount due upon a Maturity Event, or if a borrower otherwise defaults, the Servicer, on behalf of the Issuer, will be able to satisfy such borrower's payment obligation only by selling the mortgaged property securing the Mortgage Loan. There can be no recourse against the income or other assets of a borrower or the estate. As a result, deterioration in the condition of a property or the quality of a neighborhood, or the occurrence of other events or circumstances that adversely affect real property values, could reduce recoveries on the Mortgage Loans and, to the extent there is any shortfall in the amount covered by the related FHA insurance, could result in shortfalls or losses to holders of the Certificates.

Borrower Mortality - Health and Life Extension Risk

An evaluation of the Mortgage Loans should be based in part upon expectations as to the rate at which a Maturity Event will occur. Each prospective holder of a Certificate is encouraged to study publicly available information from the United States Census Bureau, medical and scientific journals, life insurance companies, and such other sources as such prospective holders consider to be reliable as to historical trends and projections of life expectancy; recent developments and expectations as to future developments in health care for elderly persons; mobility of elderly households; regional differences in availability of health care, life expectancy and other matters; gender differences with respect to health risks and life expectancy; and such other matters as only such holder considers to be material in forming its expectation as to the occurrence of Maturity Events.

The actual rate and timing of Maturity Events could differ significantly from any individual expectation. Rapid progress in health sciences or increased availability of health care, for example, could prolong the lives of borrowers or postpone relocation of borrowers into long-term care facilities, thus delaying the occurrence of a Maturity Event. The availability of home nursing care could cause borrowers who would otherwise relocate to remain in their homes, delaying the occurrence of a Maturity Event indefinitely. Considered scientific opinion as to life expectancy could be wrong. In general, the life spans and life expectancy of Americans have increased over time.

None of the Seller, the Servicer, the REO Manager, the Depositor, the Custodians, the Delaware Trustee, the Co-Trustee, the Credit Risk Manager, the Guarantor or the Issuer or any of their respective affiliates has undertaken any investigation of the health of any of the borrowers. No representation is made as to the rate or timing of the occurrence of Maturity Events.

Delays in the occurrence of Maturity Events will result in delays in payments on the Mortgage Loans. Unlike a typical mortgage loan, HECMs do not have a specified maturity date and the last Mortgage Loan could pay off considerably later than the 30 years which is a typical maturity for a non-reverse mortgage loan. The final maturity date of the Certificates could be fifty or more years after the Closing Date.

If a borrower continues to occupy a mortgaged property longer than expected, the occurrence of a Maturity Event may be delayed. For as long as a borrower continues to occupy a mortgaged property and until the earliest of (i) the borrower or the borrower's estate repays the Mortgage Loan, (ii) the Mortgage Loan becomes an Assigned

Mortgage Loan, or (iii) the related Foreclosure Sale Date, interest will continue to accrue on the related Mortgage Loan, Servicing Fees will continue to be paid to the Servicer and monthly mortgage insurance premium payments will continue to be paid, each of which are added to the Stated Principal Balance of the related Mortgage Loan and, in each case, could increase such Stated Principal Balance at a rate higher than the actual rate of increase in the value of the related mortgaged property.

Approximately 9.89% and 7.59% of the Group I Loans and Group II Loans, respectively, by Group I Cut-off Date Aggregate Balance and Group II Cut-off Date Aggregate Balance, respectively, are in default but not yet declared due and payable. Mortgage Loans are in the default category if the borrower has either (i) failed to remain current on their property taxes and/or hazard insurance payments and there are no amounts available on the related line of credit to cover such payments (a "T&I Default"), (ii) failed to complete repairs to the property specified at the closing of the Mortgage Loan (a "Repair Default") or (iii) the Servicer does not believe the borrower has been occupying the related mortgaged property ("Occupancy Default", and collectively with "T&I Default" and "Repair Default", a "Borrower Default"). As a result, these Mortgage Loans cannot be assigned to HUD when their balance is 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the Maximum Claim Amount, unless such Borrower Defaults are cured in accordance with all HUD requirements and policies. If the Servicer is unable to assign a Mortgage Loan that it services to HUD as a result of a Borrower Default, and borrowers live, or remain sufficiently healthy to continue to live at home, longer than anticipated, the weighted average life of the Certificates will be extended.

For certain information regarding the ages of the borrowers, see "The Mortgage Pool" in this Information Memorandum.

Property Values

A variety of factors may negatively affect the value of a mortgaged property. As described under "—Mortgage Loans are Nonrecourse Loans" above, if a borrower or a borrower's estate does not pay the amount due upon the occurrence of a Maturity Event, the only recourse of the Servicer on behalf of the Issuer is to foreclose on and sell the related mortgaged property and collect any amounts available under the FHA insurance. The value of such mortgaged property may not have appreciated as much as might have been expected, or may have depreciated, if the related borrower failed to perform required maintenance, or if the mortgaged property is located in a neighborhood that has declined (or is perceived to have declined) in quality, or if some event or circumstance has occurred, such as a national, regional or local economic downturn, that has the effect of temporarily reducing housing prices in the area where such mortgaged property is located.

In addition, elderly homeowners may be less likely than younger homeowners to make the types of capital improvements that increase the value of residential properties. Elderly homeowners generally live on fixed incomes which may not provide the flexibility to make home improvements or repairs, particularly if their cost of living increases as a result of inflation or as a result of increased medical needs. Decreases in social security, pensions, and the value of retirement accounts would also affect the ability of borrowers to make home improvements or repairs.

No updated appraisals, broker's price opinions or other valuation methods were undertaken in connection with this transaction by any party. As a result, there can be no assurance as to the current value of the mortgaged properties related to the Mortgage Loans included in the Trust.

Limitations on FHA Insurance; Conveyance of FHA-Insured Mortgage Loans

The insurance provided by HUD at the time of origination of a Mortgage Loan will not in several situations cover all interest and principal on the related Mortgage Loan. In particular, if the borrower or his or her estate is not able to pay the amount due under the related Mortgage Loan at maturity and the Issuer takes possession of the related REO Property, the REO Manager is required to market the REO Property and use its best efforts to dispose of the REO Property as soon as possible, while trying to realize maximum value for such REO Property, and shall sell the REO Property at a price not less than the appraised value of the REO Property unless the REO Manager obtains written permission from HUD authorizing the sale at a lower price. Multiple appraisals may be obtained by the REO Manager prior to sale. If the REO Manager is not able to sell the REO Property within six months from the date the Issuer acquired marketable title to the REO Property at such price, the REO Manager shall submit to the Servicer all necessary documentation to allow the Servicer to file a claim with HUD (an “Appraisal Based Claim”) for the difference between the principal balance of the Mortgage Loan at that time (the “Post-Foreclosure Balance”) and the appraised value at the time the claim is filed (the "Claim Appraised Value"), which then terminates the insurance. The REO Manager will continue to market the REO Property, but when it is sold, there is no further claim to FHA. To the extent the REO Property is then sold at an amount less than the Claim Appraised Value, the related Mortgage Loan may take a loss. In the current real estate environment and under HUD servicing guidelines, a majority of HECMs which go into foreclosure result in Appraisal Based Claims. Notwithstanding the foregoing, so long as Fannie Mae makes a payment under the Fannie Mae Guaranty equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, such losses will not be allocated to the Certificates.

In addition, upon a Maturity Event with respect to a Mortgage Loan, HUD will only cover interest at the related debenture rate, not the related mortgage note rate. To the extent the debenture rate is less than the interest rate on the Certificates, less interest will ultimately be received on the Certificates as a result of HUD paying at the lower interest rate. Also, the FHA insurance on a Mortgage Loan will not cover any prepayment interest shortfall. To the extent of any prepayment of a Mortgage Loan, interest will be paid only to the date of prepayment. As a result, less interest will be due to the Issuer than would otherwise be the case. However, the Fannie Mae Guaranty will cover shortfalls as a result of the debenture rate being less than the mortgage rate with respect to any Mortgage Loan with respect to which the Guarantor pays a Guaranteed Amount at the Stated Principal Balance thereof, because such payment will cover interest at the related Net Mortgage Rate. In addition, the Fannie Mae Guaranty will cover any prepayment interest shortfalls allocated to the Class A-I Certificates or Class A-II Certificates.

The Seller will represent as of the Closing Date that each of the Mortgage Loans is fully insurable by HUD/FHA, which insurance is in full force and effect as of the Closing Date. Certain deductions, however, are made from the amount of the claims payment. To the extent the Issuer incurs losses on the Mortgage Loans, insurance payable by the FHA may be insufficient to cover such losses. As a result, losses to holders of the Certificates would occur, to the extent not paid pursuant to the Fannie Mae Guaranty.

The FHA does not pay claims in excess of the Maximum Claim Amount. The appraised value and the Maximum Claim Amount are determined as of the date the originator of the Mortgage Loan receives the appraisal report for the related mortgaged property. Closing costs are not taken into account in determining the appraised value. In addition, FHA insurance generally does not cover approximately one-third of foreclosure costs. These uncovered costs will be covered solely by proceeds from the liquidation and may result in shortfalls to holders of the Certificates, to the extent not paid pursuant to the Fannie Mae Guaranty.

Further, the availability of FHA insurance is subject to a number of conditions, including strict compliance by the Originator or related Originating Affiliate, the Servicer, the REO Manager, the Co-Trustee and the Seller with FHA regulations regarding the transfer, servicing and holding of the Mortgage Loans. See “—Servicing Errors May Reduce or Eliminate FHA Insurance” below.

Risks Relating to Mortgaged Properties Acquired in Foreclosure Proceedings

When a Mortgage Loan is foreclosed on, title to the related mortgaged property passes to the bidder at a foreclosure sale; often, the bidder will be the holder of the related mortgage note. In many cases, real property that passes to the holder of the related mortgage note through foreclosure has been poorly maintained; routine property maintenance such as repair of water leaks or sheetrock damage, painting, replacement of damaged or worn flooring, and landscaping may not have occurred for a significant period of time prior to foreclosure. In addition, mortgagors often damage the mortgaged property when they move or are evicted from the premises; this damage may include damage to sheetrock, windows, floors, appliances, and fixtures (including removal of items normally considered to be permanently affixed to the property, such as kitchen appliances, air conditioning or heating units, or pipes). Such damage may not be evident from an observation of the exterior of the property. This type of deferred maintenance or damage is likely to have an adverse effect on the market value of the mortgaged properties securing the Mortgage Loans, when compared to the estimated valuation of the property based upon the appraisal performed prior to foreclosure. As a result, if the appraisal is inaccurate, an Appraisal Based Claim is more likely to occur because the REO Manager will be unable to sell the property at a price not less than the appraised value (or a lower price if approved by HUD). Notwithstanding the foregoing, so long as the Guarantor makes a Guaranty Payment equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, such losses will not be allocated to the Certificates.

Restrictions on Transfer of the Class RV-I Certificates and Class RV-II Certificates

The Class RV-I Certificates and the Class RV-II Certificates (together, the "Residual Certificates") will be subject to the following restrictions on transfer and will contain a legend describing such restrictions.

The REMIC provisions of the Internal Revenue Code of 1986, as amended (the "Code") impose certain taxes on (i) transferors of residual interests to, or agents that acquire residual interests on behalf of, disqualified organizations (as defined below under "Certain Material Federal Income Tax Consequences—Tax and Restrictions on Transfers of Residual Certificates to Certain Organizations") and (ii) certain pass-through entities (as defined below under "Certain Material Federal Income Tax Consequences—Tax and Restrictions on Transfers of Residual Certificates to Certain Organizations") that have disqualified organizations as beneficial owners or are "electing large partnerships" as defined in the Code. No tax will be imposed on a pass-through entity, other than an electing large partnership, with respect to the Residual Certificates to the extent it has received an affidavit from the owner thereof that such owner is a United Stated person (as described below) and is not a Disqualified Organization or a nominee for a Disqualified Organization.

The Trust Agreement will provide that no legal or beneficial interest in the Residual Certificates may be transferred to or registered in the name of any person unless (i) the proposed beneficial owner provides to the Co-Trustee an affidavit substantially in the form attached to the Trust Agreement to the effect that, among other items, such transferee is a Permitted Transferee (as defined below) and is not purchasing the Residual Certificates as an agent for a non-Permitted Transferee (i.e., as a broker, nominee, or other middleman thereof) and (ii) the transferor states in writing to the Co-Trustee that it has no actual knowledge that such affidavit or letter is false. A "Permitted Transferee" is any person who satisfies the Ratings Requirement other than (i) a Disqualified Organization, (ii) a "United States person" as defined in Section 7701(a)(30) of the Code with respect to whom income from such Residual Certificate is attributable to a foreign permanent establishment or fixed base (within the meaning of an applicable income tax treaty) of either such person or any other United States person, (iii) an "electing large partnership" within the meaning of Section 775 of the Code, (iv) a Non-United States Person, unless (a) the Non-United States Person holds such Residual Certificate in connection with the conduct of a trade or business within the United States and has furnished the transferor and the Co-Trustee with an effective Internal Revenue Service Form W-8ECI (Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade or Business in the United States) or successor form at the time and in the manner required by the Code or (b) the Non-United States Person that has delivered to the transferor and the Co-Trustee an Opinion of Counsel to the effect that the transfer of such Residual Certificate to it is in accordance with the requirements of the Code and the regulations promulgated thereunder and that such transfer of such Residual Certificate will not be disregarded for federal income tax purposes and (v) any other person so designated by the Co-Trustee based upon an opinion of counsel of nationally recognized United States federal income tax counsel that the transfer of such Residual Certificate to such person may cause any REMIC to fail to qualify as a REMIC or cause any REMIC or any person having an ownership interest in a Residual Certificate to incur a liability for any federal tax imposed under the Code that would not be imposed other than on account of such transfer. A "Disqualified Organization" is any of the following: (i) the United States, any State or political subdivision thereof, any possession of the United States, or any agency or instrumentality of any of the foregoing (other than an instrumentality which is a corporation if all of its activities are subject to tax and, except for the federal Home Loan Mortgage Corporation, a majority of its board of directors is not selected by such governmental unit), (ii) any foreign government, any international organization, or any agency or instrumentality of any of the foregoing, (iii) any organization (other than certain farmers' cooperatives described in Section 521 of the Code) which is exempt from the tax imposed by Chapter 1 of the Code (including the tax imposed by Section 511 of the Code on unrelated business taxable income), (iv) rural electric and telephone cooperatives described in Section 1381(a)(2)(C) of the Code and (v) any other person so designated by the Co-Trustee based upon an opinion of counsel that the holding of a Residual Certificate by such person may cause any REMIC or any person holding any class of Residual Certificates (other than such Person) to incur a liability for any federal tax imposed under the Code that would not otherwise be imposed but for the transfer of a Residual Certificate to such Person. The terms "United States," "State" and "international organization" shall have the meanings set forth in Section 7701 of the Code or successor provisions. The transferor must certify in writing to the Co-Trustee that, as of the date of the transfer, after conducting a reasonable financial investigation of the transferee, it had no knowledge or reason to know that the affirmations made by the transferee pursuant to the preceding sentence were false.

The affidavit will also require the transferee to make certain representations as described in "Certain Material Federal Income Tax Consequences—Taxation of Owners of Residual Certificates—Noneconomic Residual Certificates." The transferor will be required to certify that as of the date of the transfer it had no knowledge or reason to know that the transferee's representations were false.

In addition, transfers of Residual Certificates to investors that are not United States persons generally will be prohibited under the Trust Agreement. See "Certain Material Federal Income Tax Consequences—Foreign Investors in Certificates."

The Trust Agreement will provide that any attempted or purported transfer in violation of these transfer restrictions will be null and void and will vest no rights in any purported transferee. Any transferor or agent to whom the Co-Trustee provides information as to any applicable tax imposed on such transferor or agent may be required to bear the cost of computing or providing such information.

Multiple Loan Group Structure

The Mortgage Loans have been divided into two Loan Groups, the Group I Loans and the Group II Loans. The Class A-I Certificates and Class RV-I Certificates are only entitled to distributions from the Group I Loans, and the Class A-II Certificates and Class RV-II Certificates are only entitled to distributions from the Group II Loans. In addition, the amount of servicer reimbursement from collections and the amount of Extraordinary Trust Expenses will be determined separately for each Loan Group based on collections from or expenses incurred in respect of the related Loan Group.

The Group I Loans have an index of One-Year CMT and the Group II Loans have an index of One-Month LIBOR. As a result, the interest rates on the related Mortgage Loans may differ substantially and there can be no assurance that the rates of payment on these Loan Groups will be similar.

Servicing and REO Management

The procedures and the expertise required to service HECMs differ from the procedures and expertise required to service typical mortgage loans. A servicer of HECMs such as the Mortgage Loans is not responsible for collection of monthly payments. Instead, the servicer must protect the mortgaged property by monitoring borrower occupancy of the mortgaged property, payment by the borrower of taxes and insurance premiums, and maintenance by the borrower of the mortgaged property and must promptly pay the mortgage insurance premium payment on the related mortgage loan. The servicer may enter into a "workout" for the payment of delinquent taxes and insurance with the borrower, but as a general matter a servicer of a HECM is not typically engaged in extensive collections and loss mitigation activities as with forward mortgage loans because payments are not generally due from the borrower.

If a Servicer Event of Default occurs with respect to the Servicer and the Servicer is terminated, a successor servicer will be appointed by the Co-Trustee, with the prior written consent of the Guarantor; provided, that, at the time of such appointment, the successor servicer is a HUD approved mortgagee pursuant to Section 203 of the National Housing Act and is in good standing to service mortgage loans for HUD and meets the other requirements in the Servicing Agreement (an "Approved Servicer").

Unlike a securitization of forward mortgage loans, the Co-Trustee will not, under any circumstances, be obligated to become the successor servicer upon the occurrence of the Servicer Event of Default with respect to the Servicer.

After the Issuer acquires an REO Property through foreclosure or other comparable conversion of ownership, the REO Manager will be responsible for the management and sale such REO Property. In addition, the

REO Manager will review FHA claims submitted by the Servicer. To the extent the Guarantor does not make a payment in respect of the Fannie Mae Guaranty in connection with the Foreclosure Sale Date, holders of the Certificates will depend in large part upon the expertise and diligence of the Servicer and the REO Manager to receive timely proceeds from the Mortgage Loans and the related FHA insurance. A description of the Servicer and the REO Manager and their respective experience has been included under "The Servicer" and "The REO Manager" in this Information Memorandum.

Servicing Errors May Reduce or Eliminate FHA Insurance

To maintain the FHA insurance on the Mortgage Loans, the Servicer and the REO Manager, as applicable, must service the Mortgage Loans and manage the REO Properties in accordance with the regulations of the FHA and HUD. These regulations are complex and subject to interpretation. In addition, the FHA has been increasing its scrutiny of claims and of servicing and origination practices. To the extent that servicing deviates from the applicable guidelines, insurance claims otherwise payable on the Mortgage Loans may be reduced or eliminated. Although the Servicer and the REO Manager are required, to the extent provided in the Servicing Agreement, to reimburse the Guarantor or the Trust, as applicable, for any loss or interest curtailment caused by the Servicer's or REO Manager's failure to take all reasonable actions necessary to maintain such insurance, there can be no assurance that the Servicer or the REO Manager will comply with these obligations or have the financial or other ability to comply with such obligations.

To the extent a denial or curtailment of FHA claim proceeds with respect to any Mortgage Loan or REO Property is the result of an error by the Servicer or the REO Manager, as applicable, or the failure of the Servicer or the REO Manager, as applicable, to adhere to FHA guidelines, such party, to the extent provided in the Servicing Agreement, shall be required to remit to the Guarantor or the Trust, as applicable, from its own funds the difference between the amount of the FHA claim proceeds which should have been received with respect to such Mortgage Loan or REO Property and the amount of FHA claim proceeds actually received with respect to such Mortgage Loan or REO Property. To the extent that the FHA denies or curtails claims on the Mortgage Loans or REO Properties, and if the Servicer or the REO Manager fails or is unable to make any payments required of it as described in the preceding sentence, losses on the Certificates could result, to the extent not paid pursuant to the Fannie Mae Guaranty.

Recent Developments with Respect to the Servicer

The Servicer has recently gone through a review of its servicing practices and procedures, which has resulted in delays in the commencement and/or continuation of pending foreclosure proceedings with respect to its reverse mortgage portfolio. In addition, the Servicer has recently experienced delays in assigning loans and submitting claims to HUD, which has resulted in the delay of the receipt of assignment proceeds. As a result, there may be delays with respect to Mortgage Loans which are or become due and payable soon after the Closing Date for which a foreclosure is necessary or for which an assignment or submission of a claim to HUD is required. The provisions with respect to the REO Manager and the Credit Risk Manager may reduce these delays with respect to the Mortgage Loans; however, their obligations and responsibilities are limited and there can be no assurance that the rate and timing of the receipt of proceeds of the Mortgage Loans will not be affected.

On April 13, 2011, the Servicer entered into a consent order with the Federal Reserve and Bank of America entered into a consent order (the "Order") with the Office of the Comptroller of the Currency (the "OCC") to address the regulators' concerns about residential mortgage servicing practices and foreclosure processes. Also on April 13, 2011, the other 13 largest mortgage servicers separately entered into consent orders with their respective federal bank regulators related to residential mortgage servicing practices and foreclosure processes. The orders resulted from an interagency horizontal review conducted by federal bank regulators of major residential mortgage servicers. While federal bank regulators found that loans foreclosed upon had been generally considered for other alternatives (such as loan modifications) and were seriously delinquent, and that servicers could support their standing to foreclosure, several areas for process improvement requiring timely and comprehensive remediation across the industry were also identified. The Servicer identified most of these areas for process improvement after its own review in late 2010 and has been making significant progress in these areas in the last several months. The federal bank regulator consent orders with the mortgage servicers do not assess civil monetary penalties. However, the consent orders do not preclude the assertion of civil monetary penalties and a federal bank regulator has stated publicly that it believes monetary penalties are appropriate. The consent orders with the OCC require servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the foreclosure processes. In addition, the consent orders require that servicers submit a plan (the "Plan") to the OCC to remediate all financial injury to borrowers caused by any deficiencies identified through the review. The Order also provides that the Servicer shall include in its Plan governance and controls to ensure compliance with all applicable federal and state laws, rules, regulations and court orders and requirements, including those of the FHA.

The portions of the Order in respect of delinquency and modification are not applicable to reverse mortgage loans, but the provisions with respect to foreclosure may affect the foreclosure process for reverse mortgage loans, to the extent they do not contradict the HUD guidelines. Some of the provisions with respect to foreclosure, such as providing a single contact for borrowers, may not apply to reverse mortgage loans. However, in some situations, compliance with the Order may result in delays with respect to the foreclosure process for reverse mortgage loans.

A Servicing Transfer Could Adversely Affect the Certificates

In February 2011, the Originator, an affiliate of the Servicer, announced that it would no longer originate reverse mortgage loans. The Servicer may sell or transfer its rights and obligations under the Servicing Agreement at any time, with the approval of the Guarantor. Alternatively, the Servicer may select a subservicer, who would have direct contact with the borrowers, so long as the Servicer remains liable for the actions of such subservicer. Any transfer of servicing involves the risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities and other reasons. There can be no assurance as to the extent or duration of any disruptions associated with any such transfer of servicing or as to the resulting effects on the yield on the Certificates.

Recent Developments in the Residential Mortgage Market May Adversely Affect the Certificates

Since the second quarter of 2007, the residential mortgage market in the United States and the United States economy have experienced a variety of difficulties and changed economic conditions that may adversely affect the performance and market value of the Certificates. Delinquencies and losses with respect to residential mortgage loans have increased during this period, and are expected to continue to remain at a high level or increase. In addition, during this period, housing prices and appraisal values have declined, often severely, after extended periods of significant appreciation, and housing inventory for sale generally has increased. As residential real estate values generally or in a particular geographic area decline, often substantially, many mortgagors have little or no equity in their mortgaged properties, and many have negative equity in their mortgaged properties, in all cases hindering their ability to refinance in an environment of increasingly restrictive lending standards and giving them less incentive to cure delinquencies and avoid foreclosure. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on residential mortgage loans generally, particularly with respect to second homes and investor properties, and with respect to any residential mortgage loans whose aggregate loan amounts (including any subordinate liens) are close to or greater than the related property values. Even though HECMs are different in many respects from traditional mortgage lending, these developments have adversely affected the market for HECMs, primarily as a result of the decline in property values.

The uncertain future of Fannie Mae and Freddie Mac may adversely affect the real estate market and the value of real estate assets generally. Since early 2007, Fannie Mae and Freddie Mac have been the primary secondary market investors for newly originated mortgage loans and the availability of mortgage credit for loans that do not meet agency guidelines has decreased sharply. It is unclear at this time to what extent these conservatorships will curtail the ability of Fannie Mae and Freddie Mac to continue to act as the primary sources of liquidity in the residential mortgage markets by guaranteeing MBS.

A reduction in the ability of mortgage loan originators to access Fannie Mae, Freddie Mac and Ginnie Mae to guarantee their MBS may adversely affect the financial condition of mortgage loan originators. In addition, any decline in the value of agency securities may adversely affect the value of residential MBS as a whole.

Mortgage lenders have adjusted their loan programs and underwriting standards to be more conservative, which has reduced the availability of mortgage credit to prospective mortgagors and mortgagors seeking to refinance their mortgage loans. These developments have contributed, and may continue to contribute, to a weakening in the housing market as these adjustments have, among other things, inhibited refinancing and reduced the number of potential homebuyers. The continued use or further adjustment of these loan programs and underwriting standards may contribute to additional decreases in home refinancings, reductions in home sales and increases in delinquencies and losses on residential mortgage loans generally. The general decline in housing prices has left many mortgagors with insufficient equity in their homes to permit them to refinance, and in addition, many mortgage loans have prepayment charges that add to the cost of refinancing. The tighter underwriting guidelines for residential mortgage loans, together with elevated unemployment and lower levels of home sales, also may have contributed to a reduction in the prepayment rate for mortgage loans generally and this trend may continue. To the extent prevailing mortgage interest rates rise from their current low levels, these risks would be exacerbated.

In response to these circumstances, federal, state and local authorities have proposed new legislation, rules and regulations relating to the origination, servicing and bankruptcy treatment of mortgage loans. If enacted, these initiatives could result in delayed or reduced collections from mortgagors, higher loss severities upon liquidation, limitations on the foreclosure process, generally increased servicing costs and increased illiquidity in the market for MBS. Although these rules generally do not apply directly to HECMs, any adverse effect on the residential mortgage market as a result of these initiatives may affect the Mortgage Loans included in the trust, particularly to the extent property values are adversely affected.

The global markets have seen an increase in volatility due to uncertainty surrounding the level and sustainability of sovereign debt of certain countries that are part of the European Union, including Greece, Spain, Ireland, Portugal and Italy, as well as the sustainability of the European Union itself. In addition, widespread protests in North Africa and the Middle East have led to regime change in Tunisia and Egypt, as well as unrest in Iran, Libya, Bahrain, Yemen and other countries. In addition, Libya's political unrest has escalated to the point that in March 2011, a coalition of nations led by France, Britain and the United States began military airstrikes over Libya. The ultimate extent of this military action is not known at this time. It is uncertain what effects these events will have and what effects any regime change or military action might have on the United States and world financial markets, particular business segments, world commodities prices or otherwise. There can be no assurance that this uncertainty will not lead to further disruption of the credit markets in the United States.

There are a number of regulatory proposals that have been issued for comment, which give rise to questions about the legal environment for securitizations going forward. In April 2010, the Securities and Exchange Commission issued for comment proposed regulations that would have important impacts on asset-backed securities and structured finance products, including: increased asset level data disclosure and reporting requirements; a requirement to file a waterfall model; new conditions on the use of shelf registration for asset-backed securities, including a risk retention requirement and an undertaking to provide any reporting required under the Securities and Exchange Act of 1934 over the life of the transaction; and new requirements that would condition reliance on private placement safe harbors for structured finance products on the provision to investors of the same disclosure and reporting that would be required for a registered offering. In addition, the Federal Deposit Insurance Corporation issued a final rule, effective as of January 1, 2011, entitled "Treatment by the Federal Deposit Insurance Corporation as Conservator or Receiver of Financial Assets Transferred by an Insured Depository Institution in Connection With a Securitization or Participation After September 30, 2010," which changes the legal isolation safe harbor applicable to securitizations by banks by imposing substantial new requirements including: a risk retention requirement; and a requirement to provide investors in an offering the same disclosure and reporting required under Regulation AB at the time of such offering. The Dodd-Frank Act was signed into law on July 21, 2010 and mandates, among other financial reform regulations, the imposition of new requirements on securitization, including requiring that the applicable regulatory agencies prescribe new regulations for risk retention. While the ultimate outcome of these proposals and new regulations remains uncertain, it is possible that these proposals and new regulations could significantly affect the economics or practicability of future securitizations, which in turn could affect the market value and liquidity of structured finance products generally.

The prospects for U.S. economic growth following the recent recession are uncertain. The return of a robust general market may be impeded by the possible systemic effects of inflation and deflation, increased energy costs, declines in business and consumer confidence, wider credit spreads, higher unemployment rates, government debt levels, prospective Federal Reserve Board policy shifts, the withdrawal of government interventions into financial markets, and changes in U.S. consumer spending patterns. In addition, even if market conditions stabilize or improve, the depressing effect of the above adverse changes and conditions on the market value and liquidity of MBS generally may continue for some time.

General market conditions and the resulting legislative and regulatory initiatives discussed above may affect the performance of the Mortgage Loans, may adversely affect the yield on the Certificates and, under certain loss scenarios, principal and interest received from the Mortgage Loans and liquidation proceeds received from the Mortgage Loans may be insufficient to pay the Certificates all principal and interest to which they are entitled, to the extent the Guarantor does not make a payment in respect of the Fannie Mae Guaranty. See also "*—Residential Real Estate Values May Fluctuate and Adversely Affect Your Investment*".

Residential Real Estate Values May Fluctuate and Adversely Affect the Certificates

Since the second quarter of 2007, delinquencies and defaults on mortgage loans generally have increased and may continue to increase in the future. In addition, there was a proliferation of affordability products prior to 2008 that provided for lower initial payments and/or little or no down payment and reduced or limited documentation. Further, many originators' underwriting guidelines permitted exceptions if compensating factors were present. Many such compensating factors, however, were not adequate to compensate for the exception or exceptions to the underwriting guidelines. As property values decline or stabilize after many years of robust gains and housing inventory for sale increases, it is likely that these negative delinquency and default trends will continue and may increase, especially as mortgagors face increasing payments on adjustable rate and interest only mortgage loans in an environment of increasingly restrictive lending standards.

In addition, the current economic recession and attendant rising rate of unemployment and other factors (which may or may not affect real property values) may affect the mortgagors' timely payment of scheduled payments of principal and interest on the Mortgage Loans and, accordingly, the actual rates of delinquencies, foreclosures and losses with respect to the Mortgage Loans. These other factors could include excessive building or historically high foreclosure rates resulting in an oversupply of housing in a particular area. A general unavailability of credit and an increase in job losses may also adversely affect the overall economy in ways that result in increased delinquencies and defaults on the Mortgage Loans. Realization on REO Property will be directly impacted by declines in housing prices.

Although economic indicators are beginning to show that the United States has emerged from the recession, delinquencies and defaults on the Mortgage Loans may continue to rise, or may remain at high levels, as a result of factors such as: persistent high unemployment rates, high levels of foreclosures, and large inventories of unsold properties.

No direct rights against HUD or the FHA

Certificateholders will not have any direct rights against HUD or the FHA with respect to the contract of insurance applicable to any Mortgage Loan. Each Certificateholder, by acquiring its Certificate, shall be deemed to have represented to its consent to the foregoing. Consequently, the Certificateholders will have to rely on the ability of the Servicer, the REO Manager, and the Co-Trustee, as mortgagee, to enforce any claims against HUD or the FHA.

Combination or "Layering" of Multiple Risk Factors May Significantly Increase the Risk of Loss

Although the various risks discussed in this Information Memorandum are generally described separately, prospective holders of the Certificates should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There are many circumstances in which layering of multiple risks with respect to the Mortgage Loans and the Certificates may magnify the effect of those risks. In considering the potential effects of layered risks, prospective holders of Certificates should carefully review the descriptions of the Mortgage Loans and the Certificates. See *"The Mortgage Pool"* and *"Description of the Certificates"* in this Information Memorandum.

The Certificateholders may have Limited Control over Amendments, Modifications and Waivers to the Trust Agreement and Servicing Agreement

Certain amendments, modifications or waivers to the Trust Agreement and Servicing Agreement may require the consent of holders of only a certain specified percentage of the voting rights of the related Certificates and certain amendments, modifications or waivers to the Trust Agreement and Servicing Agreement may not require the consent of any Certificateholder.

As a result, certain amendments, modifications or waivers to the Trust Agreement and Servicing Agreement may be effected without Certificateholder consent. A Certificateholder seeking an amendment does not have a right to discover the identity of the other Certificateholders, which may adversely affect such Certificateholder's ability to amend the Trust Agreement and Servicing Agreement. In addition, an amendment to the Trust Agreement or the Servicing Agreement will require the consent of Fannie Mae. See *"The Trust Agreement—Amendment of the Trust Agreement"* and *"The Servicing Agreement—Amendment of the Servicing Agreement"* in this Information Memorandum.

In addition, pursuant to the Trust Agreement, the Certificateholders agree that, upon the Guarantor paying any Guaranteed Amount under the Fannie Mae Guaranty with respect to the Class A-I Certificates and Class RV-I Certificates, or the Class A-II Certificates and Class RV-II Certificates, as applicable, and until such time as the Guarantor has been paid in full for all related Guaranteed Amounts, the Guarantor will be treated by the Co-Trustee, the Delaware Trustee and the Issuer as if the Guarantor were such Certificateholders for the purpose of the giving of any consent under the Trust Agreement or the Servicing Agreement, the making of any direction under the Trust Agreement or the Servicing Agreement or the exercise of any voting or other control rights otherwise given to such Certificateholders under the Trust Agreement or the Servicing Agreement without any further consent of such Certificateholders, and such Certificateholders, by acceptance of their respective Certificates, will be deemed to have agreed that they will not exercise any of such rights without the prior written consent of the Guarantor under such circumstances. However, if a Guarantor Event of Default should occur and be continuing, then (i) the previous sentence shall cease to apply until such Guarantor Event of Default is cured and (ii) any voting or other control rights otherwise granted to the Guarantor (had a Guarantor Event of Default not occurred) shall be given to the holders of the Certificates evidencing not less than 51% of the aggregate Certificate Principal Balance of Certificates, provided that such holders of the Certificates shall not amend the Trust Agreement in any manner or consent to any amendment of the Trust Agreement, in each case which could adversely affect the Guarantor without the prior written consent of the Guarantor.

Priority of Extraordinary Trust Expenses

Pursuant to the Trust Agreement, Extraordinary Trust Expenses, in an amount up to the Extraordinary Trust Expense Cap, may be paid to the Custodians, the Credit Risk Manager, the Co-Trustee and the Delaware Trustee (on a pro rata basis) prior to making any distributions on the Certificates. Any such Extraordinary Trust Expenses that are so paid will reduce amounts available to make distributions on the Certificates, to the extent not paid by the Seller.

This Information Memorandum Contains Summary and Limited Information Regarding the Transaction Documents, FHA Insurance and the Mortgage Loans

This Information Memorandum contains summary descriptions of certain documents, including the Mortgage Loan Purchase Agreement, the Trust Agreement and the Servicing Agreement which govern the transactions described herein, of the statutes, rules and regulations applicable to FHA insurance and of the Mortgage Loans. Such summary descriptions are necessarily incomplete and reference is made to the actual documents for a complete description of the rights and obligations of the parties thereto, to the statutes, rules and regulations applicable to FHA insurance and to the Mortgage Loans.

Geographic Concentration May Increase Risk of Loss Due to Adverse Economic Conditions or Natural Disasters

Approximately 32.87% and approximately 14.97% of the Group I Loans, and approximately 25.25% and approximately 9.11% of the Group II Loans (by Group I Cut-off Date Aggregate Balance and Group II Cut-off Date Aggregate Balance, respectively) are secured by mortgaged properties located in California, and Florida, respectively. If the regional economy or housing market weakens in any of those states or in any region having a significant concentration of mortgaged properties underlying the Mortgage Loans, the Mortgage Loans may experience a higher rate of loss. In addition, states in the Gulf coast region and other regions have experienced natural disasters, including earthquakes, fires, oil spills, floods, hurricanes and tsunamis, which may adversely affect borrowers and mortgaged properties. Any concentration of mortgaged properties in a state or region may present unique risk considerations. No assurance can be given as to the effect of natural disasters on losses on any of the Mortgage Loans secured by the mortgaged properties that might be damaged by such natural disasters or on any other Mortgage Loans.

Any deterioration in housing prices in a state or region due to adverse economic conditions, natural disasters or other factors, and any deterioration of economic conditions or natural disasters in a state or region that adversely affects the value of the related mortgaged property may result in losses on the Mortgage Loans. Any losses on the Mortgage Loans may result in losses on the Certificates to the extent not paid pursuant to the Fannie Mae Guaranty.

See *"The Mortgage Pool"* in this Information Memorandum for further information regarding the geographic concentration of the Mortgage Loans.

Limited Obligations

The Certificates do not represent an interest in or obligation of the Seller, the Depositor, the Co-Trustee, the Delaware Trustee, the Custodians, the Credit Risk Manager, the Servicer, the REO Manager or any of their respective affiliates. The Certificates are not guaranteed or insured by any governmental agency or instrumentality, the Seller, the Depositor, the Co-Trustee, the Delaware Trustee, the Custodians, the Credit Risk Manager, the Servicer, the REO Manager, or any of their respective affiliates or by any other person other than Fannie Mae to the extent of the Fannie Mae Guaranty. There will be no recourse to the Seller, the Depositor, the Co-Trustee, the Delaware Trustee, the Custodians, the Credit Risk Manager, the Servicer, the REO Manager, or any of their respective affiliates or any other entity in the event that payments and other recoveries on the assets of the Mortgage Pool or the Fannie Mae Guaranty are insufficient or otherwise unavailable to make all payments provided for under the Certificates.

THE MORTGAGE POOL

General

Unless otherwise noted, all statistical percentages or weighted averages set forth in this Information Memorandum are measured as a percentage of the Group I Cut-off Date Aggregate Balance or Group II Cut-off Date Aggregate Balance, respectively.

The statistical information presented in this Information Memorandum relates to the Mortgage Loans and related mortgaged properties as of the Cut-off Date. Prior to the issuance of the Certificates, Mortgage Loans may be removed from the assets of the Issuer if the Depositor deems such removal necessary or desirable and may be prepaid at any time. A limited number of other Mortgage Loans may be added to the assets of the Issuer prior to the issuance of the Certificates unless adding such Mortgage Loans would materially alter the characteristics of the Mortgage Loans in the Mortgage Pool as described in this Information Memorandum. The Depositor believes that the information set forth in this Information Memorandum with respect to the Mortgage Loans in the Mortgage Pool will be representative of the characteristics of the Mortgage Pool as it will be constituted at the time the Certificates are issued. The statistical information included in this Information Memorandum presented on a weighted average basis or any statistic based on the aggregate Cut-off Date Balance of the related Mortgage Loans is subject to a variance of plus or minus 5%. In addition, the statistical information included in this Information Memorandum, other than the initial number and aggregate Cut-off Date Balance of the Mortgage Loans in the aggregate and in Loan Group I as described in "Summary of Terms—The Mortgage Pool", includes or is calculated using information from three additional Group I Loans, with an aggregate Stated Principal Balance as of the Cut-off Date of approximately $734,999, which Mortgage Loans will not be included in the final Mortgage Pool and are not used in determining the initial Certificate Principal Balances of the Certificates.

The Mortgage Loans

The mortgage pool (the "Mortgage Pool") will consist of HECMs with FHA insurance (the "Mortgage Loans") originated by the Originator or an Originating Affiliate with a Cut-off Date Balance of approximately $9,256,546,614. Loan Group I will consist of approximately 57,446 Mortgage Loans with a Group I Cut-off Date Aggregate Balance of approximately $8,786,263,440. Loan Group II will consist of approximately 2,931 Mortgage Loans with a Group II Cut-off Date Aggregate Balance of approximately $470,283,173. Each of the Mortgage Loans are subject to FHA insurance as to the repayment of the principal thereof (subject to certain limitations) and certain other amounts. Each Group I Loan has an index of One-Year CMT and each Group II Loan has an index of One-Month LIBOR.

The Mortgage Loans are secured by mortgages or deeds of trust or other similar security instruments creating first liens on residential properties that may consist of one- to four-family detached or semi-detached one- to four-family dwelling units, individual condominium units, townhouses, planned unit developments and mobile homes.

Each Mortgage Loan is a nonrecourse loan, meaning, if a borrower or a borrower's estate fails to pay the amount due under a Mortgage Loan at maturity or a borrower otherwise defaults, the Servicer on behalf of the Issuer will be able to recover only the proceeds of foreclosure on and sale of the related mortgaged property from the borrower or the borrower's estate. Generally, HECMs such as the Mortgage Loans are not repaid immediately at maturity, but continue to accrue interest until repayment by the related borrower or the foreclosure of the Mortgage Loan and liquidation of the related mortgaged property. No income of a borrower may be attached, and no other property or assets of a borrower or a borrower's estate may be seized and sold to satisfy the Mortgage Loan payment obligation.

All of the Mortgage Loans were originated by the Originator or an Originating Affiliate generally in accordance with the underwriting guidelines described in this Information Memorandum.

A Mortgage Loan may be either (1) a line of credit whereby the borrower receives unscheduled payments or installments, drawn down at times and in amounts of the borrower's choosing, up to the related Net Principal Limit, (2) a tenure loan whereby the borrower is entitled to receive a monthly payment from the mortgagee for the remainder of the borrower's life, (3) a term loan whereby the borrower is entitled to receive a monthly payment from the mortgagee for a specified term, (4) a modified tenure loan, whereby a portion of the principal limit of the loan is made available to the borrower in a series of monthly payments for the remainder of the borrower's life, and the remainder of the principal limit is a line of credit whereby the borrower may borrow, repay and reborrow the portion of the principal thereof, together up to the related Net Principal Limit or (5) a modified term loan, whereby a portion of the principal limit of the loan is made available to the borrower in a series of monthly payments for a specified term, and the remainder of the principal limit is a line of credit whereby the borrower may borrow, repay and reborrow the portion of the principal thereof, together up to the related Net Principal Limit. Each of (1) through (5) of the previous sentence assumes that the borrower (i) continues to occupy the related mortgaged property, (ii) is in compliance with the terms of the related mortgage and the related mortgage note and (iii) is not in default. During the life of the Mortgage Loan, the borrower may at any time and from time to time, change the type of Mortgage Loan (subject to payment of certain change fees).

The amount that the borrower can receive from any type of Mortgage Loan is determined by first calculating the principal limit of the Mortgage Loan (the "Principal Limit"). The principal limit increases each month by a percentage equal to one-twelfth of the sum of the related Mortgage Rate and the annual mortgage insurance premium rate of 0.50% and represents the maximum aggregate amount that may be advanced to or for the benefit of a borrower. The Principal Limit at origination is based on the age of the youngest borrower, the expected average mortgage rate, and the Maximum Claim Amount. To determine the maximum amount of payments that a borrower can receive after origination, the net principal limit (the "Net Principal Limit") is calculated at origination for the related Mortgage Loan. The Net Principal Limit is calculated by subtracting from the Principal Limit all payments that have been made to or on behalf of the borrower, such as payments to FHA, closing costs, Servicing Fees and any other cash payments to the borrower, and any funds initially set aside from the Principal Limit for monthly Servicing Fees, payments to FHA, repairs, property taxes and/or insurance. The Net Principal Limit may be drawn by a borrower as monthly payments, or as a line of credit, or both, depending on the type of Mortgage Loan.

Pursuant to its terms, each Mortgage Loan, other than a Mortgage Loan secured by a condominium unit, is required to be covered by a standard hazard insurance policy in an amount required by HUD. Generally, a condominium association is responsible for maintaining hazard insurance covering the entire building. However, to the extent that such insurance is not maintained or is not sufficient to cover damage to an individual unit, any such damage could significantly reduce the value of the mortgaged property.

None of the Mortgage Loans provides for scheduled monthly payments of principal or interest by the borrowers. In each case, accrued interest and Principal Advances are added to the Stated Principal Balance of the related Mortgage Loan. Although the borrowers may prepay the Mortgage Loans in whole or in part at any time without penalty, it is generally anticipated that a borrower will not make any payment until the related Mortgage Loan has matured, meaning generally that one of the following has occurred: (i) all of a borrower's title to the mortgaged property is sold or otherwise transferred and no other borrower retains title to the mortgaged property as provided in the related mortgage note, (ii) the borrower has died and the mortgaged property is not the principal residence of at least one surviving borrower, (iii) the mortgaged property ceases to be the principal residence of a borrower for reasons other than death and the mortgaged property is not the principal residence of at least one other borrower, subject to HUD approval, (iv) for a period of longer than twelve (12) consecutive months, a borrower fails to occupy the mortgaged property because of physical or mental illness and the mortgaged property is not the principal residence of at least one other borrower, subject to HUD approval or (v) the borrower has defaulted under the terms of the mortgage or mortgage note, subject to HUD approval (each, a "Maturity Event"). As a result, there will be little or no cash available from the Mortgage Loans (unless otherwise provided by the Guarantor) for payment to Certificateholders on any Distribution Date unless (1) prior to a Maturity Event, the Stated Principal Balance of a Mortgage Loan equals or exceeds 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the Maximum Claim Amount, or a request for a draw on a line of credit or a change in payment plan causes the Stated Principal Balance of the Mortgage Loan to equal or exceed 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the Maximum Claim Amount, and the applicable conditions are satisfied and such Mortgage Loan has been assigned to HUD in exchange for payment by HUD of insurance benefits in sufficient numbers to generate such cash during the related Collection Period, (2) the related borrower or the related borrower's estate has repaid such Mortgage Loan after a Maturity Event, or (3) after a Maturity Event, in the event that the related borrower or the related borrower's estate has failed to repay the outstanding balance due and payable on such Mortgage Loan within the prescribed time, the related mortgaged property is subsequently liquidated (or an Appraisal Based Claim has been made) and HUD has paid any claims for insurance benefits with respect to such Mortgage Loan. Such events are unpredictable and may not occur with the regularity or frequency that might be anticipated and, to the extent such events give rise to the payment in full of the Stated Principal Balance of the related Mortgage Loans, such events will have the same effect as if the related borrowers made prepayments in full of such Mortgage Loans. In addition, payments upon the occurrence of these events may be covered by a payment in respect of the Fannie Mae Guaranty.

All of the Mortgage Loans are subject to prepayment at any time without penalty and are not assumable. A borrower may be declared in default under a Mortgage Loan and may be forced to repay the Mortgage Loan in full if such borrower fails to adequately maintain the related mortgaged property or violates certain other terms of the Mortgage Loan.

Payment of FHA Insurance Claims

The following are examples of instances when the FHA pays insurance claims with respect to HECMs.

Payment of Claims Where Mortgagee or Another Bidder Acquires Title

If a party other than the mortgagee is the successful bidder at a foreclosure sale, the amount of insurance benefits generally paid by FHA is equal to the Stated Principal Balance of the Mortgage Loan minus the amount for which the property was sold (up to the Maximum Claim Amount). The claim amount is adjusted to reimburse the mortgagee for certain tax, insurance, costs of preservation and protection and similar payments made by it, and to deduct certain amounts received or retained by the mortgagee after the occurrence of a Maturity Event. The mortgagee is reimbursed for an amount generally equal to two-thirds of the mortgagee's foreclosure costs, certain appraisal costs, and payments for maintenance and repair of the property.

The FHA pays the mortgagee an interest allowance equal to the amount that would have been earned, from the date the mortgagee notifies HUD that the mortgage became due and payable in full (either because of the mortgagor's death or because the mortgagor no longer holds title to the property) or, if applicable, HUD granted approval for the mortgage to become due and payable (such date, the "Due Date") to the date when payment on the claim is made. The applicable HUD debenture rate is the rate that was in effect when the FHA insurance was committed or endorsed, and may be lower than the related Mortgage Rate on the Mortgage Loan. Where the mortgagee fails to meet requirements related to the acquisition and sale of the mortgaged property and the application for insurance benefits within a specified time frame, the debenture interest allowance for payment shall be computed only to the date on which the particular required action should have been taken or to which it was extended. Such debenture interest does not count toward the calculation of the Maximum Claim Amount.

Where the Issuer acquires marketable title to any REO Property in a foreclosure sale, the REO Manager is required to market the REO Property and use its best efforts to dispose of the REO Property as soon as possible, while trying to realize maximum value for such REO Property, and shall sell the REO Property at a price not less than the appraised value unless the REO Manager obtains written permission from HUD authorizing the sale at a lower price. If the REO Manager is not able to do so within six months from the date the Issuer acquired marketable title to the REO Property, the REO Manager shall submit to the Servicer all necessary documentation to allow the Servicer to file an Appraisal Based Claim for the difference between the Post-Foreclosure Balance of the related Mortgage Loan and the related Claim Appraised Value, which then terminates the insurance.

Payment of Claims for Assigned Mortgage Loans

Pursuant to the Servicing Agreement, the Servicer is required to assign Mortgage Loans directly to HUD when the outstanding Stated Principal Balance of such Mortgage Loan is equal to or greater than 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the related Maximum Claim Amount. When the Servicer assigns a mortgage to HUD, the amount of payment to the Servicer includes reimbursement for certain servicing costs, including attorney's fees, and payment of an interest allowance at HUD's debenture rate from the date the mortgage was assigned to HUD to the date the claim is paid. Subtracted from the principal portion of the reimbursement is all cash retained by the Servicer and any adjustments for damage or neglect to the property. The applicable HUD debenture rate is the rate that was in effect when the insurance was committed or endorsed, and may be lower than the effective interest rate on the Mortgage Loan. If the Servicer fails to meet certain requirements within a specified time, the interest allowance is computed only to the date on which the particular required action should have been taken or to which it was extended. Such debenture interest does not count toward the calculation of the Maximum Claim Amount.

When the Servicer fails to make timely required payments to the borrower under a Mortgage Loan, the borrower may notify HUD of such failure and HUD will require that such Mortgage Loan be assigned to it by the Servicer. If HUD accepts such an assignment, the Servicer may file a claim for FHA insurance. Any eventual claim amount on such an assigned Mortgage Loan may also be reduced by HUD's administrative expenses. However, if the Servicer fails to reimburse HUD or assign the Mortgage Loan to HUD, the insurance contract will be terminated. Upon such termination, no claim for FHA insurance payments can be filed and the Servicer will only be entitled to be reimbursed for payments actually made to the related borrower (less interest thereon and other administrative charges imposed by HUD on payments not made by the mortgagee, including late fees and interest) and only upon the payment in full of the related Mortgage Loan.

Payment of Claims Where Borrower Sells the Mortgaged Property

When a borrower sells the mortgaged property for less than the Stated Principal Balance of the related Mortgage Loan, and the mortgagee releases the mortgage to facilitate the sale, the amount of the claim is computed by totaling the Stated Principal Balance and any accrued interest which has not been capitalized on the date the deed was recorded and allowances for certain tax, insurance and similar payments made, less the net proceeds of the sale paid to the mortgagee. Certain appraisal costs, payments for maintenance and repair of the mortgaged property and other costs may also be reimbursed. The claim amount is reduced by certain amounts received or retained by the mortgagee.

The claim amount also includes an interest allowance at HUD's debenture rate from the date the deed is recorded to the date when payment of the claim is made. The applicable HUD debenture rate is the rate that was in effect when the insurance was committed or endorsed, and may be lower than the related Mortgage Rate on the Mortgage Loan. If the mortgagee fails to meet requirements related to the acquisition and sale of the mortgaged property and the application for insurance benefits within a specified time, the interest allowance is computed only to the date on which the particular required action should have been taken or to which it was extended. Such interest allowance does not count toward the calculation of the Maximum Claim Amount.

Group I Loan Characteristics

All statistical information relating to the collateral characteristics of the Mortgage Loans described in this Information Memorandum are subject to variance: up to 5% of the Mortgage Loans (by aggregate Cut-off Date Balance) may be added or removed from the Trust prior to the Closing Date. The statistical information included in this Information Memorandum, other than the initial number and aggregate Cut-off Date Balance of the Mortgage Loans in the aggregate and in Loan Group I as described in "Summary of Terms—The Mortgage Pool", includes or is calculated using information from three additional Group I Loans, with an aggregate Stated Principal Balance as of the Cut-off Date of approximately $734,999, which Mortgage Loans will not be included in the final Mortgage Pool and are not used in determining the initial Certificate Principal Balances of the Certificates.

The Group I Loans will consist of approximately 57,446 Mortgage Loans with a Group I Cut-off Date Aggregate Balance of approximately $8,786,263,440. The Cut-off Date Balances of the Group I Loans range from approximately $22 to approximately $572,045. The Group I Loans have an average Cut-off Date Balance of approximately $152,948.

As of the Cut-off Date, the Principal Limit of the Group I Loans range from $0 to approximately $607,167 and the average Principal Limit of the Group I Loans as of the Cut-off Date is approximately $187,945. As of the Cut-off Date, the Maximum Claim Amount of the Group I Loans range from approximately $22,000 to approximately $938,250 and the average Maximum Claim Amount of the Group I Loans as of the Cut-off Date is approximately $235,907.

The Cut-off Date Balances of the Group I Loans, as a percentage of their Principal Limits, ranges from 0.00% to approximately 150.20%, with a weighted average of approximately 87.77%. The Cut-off Date Balances of the Group I Loans, as a percentage of their Maximum Claim Amounts, ranges from 0.01% to approximately 159.14%, with a weighted average of approximately 70.24%.

All of the Group I Loans accrue interest at a variable mortgage rate (the "Mortgage Rate"), adjusted annually or monthly, equal to One-Year CMT plus the related margin (the "Gross Margin"), subject to a maximum mortgage rate (the "Maximum Mortgage Rate") and a minimum mortgage rate (the "Minimum Mortgage Rate"). "One-Year CMT" is the weekly average yield using the Treasury Constant Maturities, Nominal 10, 1-year published in the Federal Reserve Board's Federal Reserve Statistical Release H.15 (519). Each Mortgage Loan with an index of One-Year CMT that adjusts annually is subject to a 2% annual cap and a 5% lifetime cap. Each Mortgage Loan with an index of One-Year CMT that adjusts monthly is subject to a lifetime cap established by the Originator. Approximately 98.82% and approximately 1.18% of the Group I Loans adjust monthly and annually, respectively.

The Mortgage Rates of the Group I Loans range from approximately 1.25% per annum to approximately 5.02% per annum and the weighted average Mortgage Rate of the Group I Loans is approximately 1.75% per annum. As of the Cut-off Date, the Group I Loans had Gross Margins ranging from 1.00% per annum to 4.50% per annum and Maximum Mortgage Rates ranging from 3.85% per annum to 20.00% per annum. As of the Cut-off Date, the weighted average Gross Margin of the Group I Loans was approximately 1.48% per annum and the weighted average Maximum Mortgage Rate of the Group I Loans was approximately 14.49% per annum.

No more than approximately 0.29% of the Group I Loans as of the Cut-off Date are secured by mortgaged properties located in any one zip code area.

The debenture rate on the Group I Loans ranged from 4.13% per annum to 8.75% per annum and the weighted average debenture rate of the Group I Loans was approximately 4.74% per annum.

All calculations of the “Weighted Average Borrower Age” with respect to the Group I Loans below were determined as of May 1, 2011.

The Group I Loans are expected to have the following characteristics as of the Cut-off Date (the sum in any column may not equal the total indicated due to rounding):

Cut-off Date Balance of the Group I Loans

Cut-off Date Balance ($)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
0.01 - 50,000.00....................................	3,120	$ 115,287,894.79	1.31%	1.82%	10.36%	76.0
50,000.01 - 100,000.00	12,754	980,709,072.04	11.16	1.76	9.53	76.0
100,000.01 - 150,000.00	15,254	1,902,204,410.25	21.65	1.72	8.52	75.8
150,000.01 - 200,000.00	11,133	1,927,527,042.67	21.94	1.71	9.14	75.9
200,000.01 - 250,000.00	8,031	1,801,067,373.62	20.50	1.73	9.83	75.5
250,000.01 - 300,000.00	5,385	1,458,521,432.52	16.60	1.73	11.09	76.9
300,000.01 - 350,000.00	1,360	432,776,644.16	4.93	1.90	15.46	82.5
350,000.01 - 400,000.00	203	75,156,656.72	0.86	2.18	12.42	79.4
400,000.01 - 450,000.00	125	53,227,879.86	0.61	2.58	6.35	75.4
450,000.01 - 500,000.00	51	24,029,407.56	0.27	2.51	13.71	80.2
More than 500,000.01	30	15,755,626.59	0.18	2.96	20.37	84.7
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Maximum Claim Amount of the Group I Loans

Maximum Claim Amount ($)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Less than 25,000.00.............................	3	$ 42,188.81	0.00%	2.17%	0.00%	78.7
25,000.01 - 50,000.00	284	8,811,395.65	0.10	1.80	30.87	78.2
50,000.01 - 75,000.00	1,475	70,334,138.28	0.80	1.76	22.30	77.7
75,000.01 - 100,000.00	2,781	175,686,066.04	2.00	1.78	15.72	77.4
100,000.01 - 125,000.00	3,439	275,207,743.07	3.13	1.76	14.34	76.7
125,000.01 - 150,000.00	4,764	453,089,692.16	5.16	1.74	11.36	76.7
150,000.01 - 175,000.00	5,274	587,533,222.68	6.69	1.73	10.50	76.4
175,000.01 - 200,000.00	4,784	596,547,226.27	6.79	1.71	10.92	76.3
200,000.01 - 225,000.00	5,577	774,628,436.16	8.82	1.67	9.57	75.9
225,000.01 - 250,000.00	4,546	713,393,159.40	8.12	1.70	10.98	76.1
250,000.01 - 275,000.00	4,115	712,322,366.79	8.11	1.71	9.88	76.2
275,000.01 - 300,000.00	4,670	878,844,924.56	10.00	1.75	9.64	76.8
300,000.01 - 325,000.00	4,414	909,321,782.47	10.35	1.74	8.45	76.6
325,000.01 - 350,000.00	1,792	384,891,889.32	4.38	1.75	10.21	75.7
350,000.01 - 375,000.00	7,057	1,586,777,198.35	18.06	1.60	8.60	76.6
375,000.01 - 400,000.00	373	88,469,133.42	1.01	2.30	7.11	74.6
400,000.01 - 425,000.00	1,356	332,690,612.61	3.79	2.20	6.44	75.2
425,000.01 - 450,000.00	67	16,826,703.82	0.19	2.57	1.95	74.5
450,000.01 - 475,000.00	69	20,505,506.35	0.23	2.17	8.21	77.7
475,000.01 - 500,000.00	57	17,657,873.05	0.20	2.68	7.03	74.3
500,000.01 - 525,000.00	55	15,840,127.53	0.18	2.47	2.46	76.2
525,000.01 - 550,000.00	172	59,039,723.64	0.67	1.87	10.77	76.2
More than 550,000.01	322	107,802,330.35	1.23	3.04	6.49	75.7
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Status of Group I Loans

Status	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Active	51,967	$7,917,627,846.92	90.11%	1.75%	0.00%	76.4
Default (T&I)	2,586	417,557,647.31	4.75	1.70	100.00	76.3
Default (Valid Repayment Plan)	1,913	307,740,269.04	3.50	1.70	100.00	75.3
Default (Other)	980	143,337,677.51	1.63	1.76	100.00	78.5
Total:..	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Mortgage Rate of the Group I Loans

Mortgage Rate (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Less than 1.250....................................	4,785	$ 722,190,209.98	8.22%	1.25%	12.84%	75.7
1.251 - 1.500..	10,826	1,655,722,285.94	18.84	1.28	9.84	75.9
1.501 - 1.750..	2,240	327,189,235.59	3.72	1.66	12.37	75.9
1.751 - 2.000..	29,697	4,543,123,699.46	51.71	1.78	9.98	77.0
2.001 - 2.250..	4,555	684,551,657.70	7.79	2.04	8.51	75.0
2.251 - 2.500..	1,697	258,691,255.17	2.94	2.30	8.21	76.4
2.501 - 2.750..	978	146,174,148.62	1.66	2.53	6.82	74.2
2.751 - 3.000..	1,112	182,139,932.90	2.07	2.83	6.26	74.1
3.001 - 3.250..	1,078	193,236,399.09	2.20	3.02	6.74	75.2
3.251 - 3.500..	306	45,888,336.86	0.52	3.35	7.70	77.8
3.501 - 3.750..	67	11,470,932.87	0.13	3.58	8.84	75.9
3.751 - 4.000..	81	12,887,853.65	0.15	3.82	5.59	77.7
4.001 - 4.250..	7	1,093,537.25	0.01	4.02	0.00	74.0
4.751 - 5.000..	16	1,805,275.09	0.02	4.91	0.00	80.1
More than 5.001	1	98,680.61	0.00	5.02	0.00	74.6
Total:..	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Debenture Rate relating to the Group I Loans

Debenture Rate (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
4.001 - 4.250..	5,040	$ 814,345,520.38	9.27%	2.66%	7.56%	74.7
4.251 - 4.500..	14,276	2,134,557,286.52	24.29	1.68	10.02	76.3
4.501 - 4.750..	14,797	2,219,135,184.67	25.26	1.73	10.71	75.7
4.751 - 5.000..	17,872	2,799,662,869.20	31.86	1.55	9.89	76.8
More than 5.001	5,461	818,562,580.01	9.32	1.78	9.61	78.4
Total:..	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Geographic Concentration of the Mortgaged Properties Related to the Group I Loans

Geographic Concentration	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
California...	14,491	$2,888,439,712.20	32.87%	1.72%	6.66%	76.5
Florida	9,639	1,315,685,360.93	14.97	1.69	14.97	76.2
Washington..	2,764	452,469,229.06	5.15	1.74	6.02	75.9
New York	2,660	425,691,119.26	4.85	1.87	11.96	78.5
Maryland	1,797	309,964,500.39	3.53	1.70	16.85	75.4
Oregon...	2,095	307,202,228.72	3.50	1.73	7.26	75.6
Texas..	3,230	300,655,881.06	3.42	1.88	13.92	75.5
New Jersey	1,769	297,738,725.25	3.39	1.80	14.80	77.8
Arizona	2,152	294,849,916.28	3.36	1.70	5.88	75.5
Colorado	1,514	208,807,790.53	2.38	1.70	4.98	75.9
Illinois..	1,570	202,173,721.80	2.30	1.74	11.02	77.1
Pennsylvania..	1,736	193,687,041.97	2.20	1.74	11.34	76.8
Massachusetts......................................	1,067	182,461,003.65	2.08	1.82	8.08	77.1
Nevada...	899	154,242,294.00	1.76	1.73	6.57	76.2
Virginia..	944	141,887,091.10	1.62	1.86	10.17	75.4
Hawaii	336	100,190,902.24	1.14	1.64	8.94	76.8
District of Columbia............................	460	99,561,644.58	1.13	1.72	17.54	77.9
Michigan..	1,049	95,415,101.86	1.09	1.72	21.78	76.8
Georgia	758	89,137,033.98	1.02	1.96	9.90	75.1
Utah	563	84,224,074.49	0.96	1.69	3.71	74.9
North Carolina.....................................	505	60,050,672.78	0.68	2.08	16.56	74.5
Idaho..	490	55,001,892.59	0.63	1.81	3.48	75.7
Connecticut..	352	54,291,687.94	0.62	1.89	12.41	77.2
Minnesota	393	50,044,202.07	0.57	1.69	10.03	76.0
Missouri...	530	46,603,246.64	0.53	1.76	19.06	75.6
Other..	3,683	375,787,365.41	4.28	1.94	10.09	75.7
Total:..	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Gross Margin of the Group I Loans

Gross Margin (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
0.751 - 1.000...	14,836	$2,281,249,617.29	25.96%	1.26%	10.78%	75.8
1.001 - 1.250...	1,550	212,972,710.70	2.42	1.51	10.00	76.9
1.251 - 1.500...	29,902	4,565,457,326.57	51.96	1.77	10.01	77.1
1.501 - 1.750...	5,433	816,283,557.15	9.29	2.02	9.30	75.0
1.751 - 2.000...	1,721	262,942,635.34	2.99	2.27	9.98	75.0
2.001 - 2.250...	1,286	190,917,953.94	2.17	2.49	6.65	76.1
2.251 - 2.500...	905	143,034,260.62	1.63	2.77	5.63	73.6
2.501 - 2.750...	1,335	240,160,762.84	2.73	3.02	6.85	75.3
2.751 - 3.000...	87	13,391,545.50	0.15	3.27	5.67	74.2
More than 3.001	391	59,853,070.83	0.68	3.57	7.53	78.3
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Maximum Mortgage Rate of the Group I Loans

Maximum Mortgage Rate (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Less than 11.000...................................	598	$ 88,592,774.90	1.01%	2.83%	6.10%	80.3
11.001 - 12.000.....................................	36	4,548,222.15	0.05	3.12	5.19	80.0
12.001 - 13.000.....................................	9,016	1,370,663,480.12	15.60	1.98	9.26	75.6
13.001 - 14.000.....................................	15,449	2,240,789,788.87	25.50	1.98	9.92	75.7
14.001 - 15.000.....................................	9,442	1,445,143,256.81	16.45	1.57	10.17	76.4
15.001 - 16.000.....................................	13,980	2,238,175,554.90	25.47	1.46	9.52	76.6
16.001 - 17.000.....................................	8,801	1,386,853,001.20	15.78	1.74	11.01	77.4
More than 17.001	124	11,497,361.83	0.13	1.53	9.06	82.4
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Line of Credit Available for Group I Loans(1)

Line of Credit Available ($)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
0.01 - 20,000.00....................................	17,377	$2,971,493,505.97	60.23%	1.78%	0.00%	76.4
20,000.01 - 40,000.00	4,222	627,424,234.98	12.72	1.76	0.00	76.7
40,000.01 - 60,000.00	2,884	408,140,176.78	8.27	1.79	0.00	77.0
60,000.01 - 80,000.00	2,185	289,132,028.32	5.86	1.77	0.00	77.7
80,000.01 - 100,000.00	1,538	189,329,624.45	3.84	1.82	0.00	78.3
100,000.01 - 120,000.00	1,221	147,665,204.98	2.99	1.82	0.00	78.4
120,000.01 - 140,000.00	824	95,260,283.45	1.93	1.82	0.00	79.5
More than 140,000.01	2,090	205,228,961.14	4.16	1.98	0.00	80.6
Total:...	32,341	$4,933,674,020.07	100.00%	1.79%	0.00%	76.9

(1) The table above only represents Group I Loans where the related borrower is able to access funds under its line of credit.

Borrower Age of the Related Borrower for the Group I Loans

Borrower Age	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
63 - 68...	6,777	$ 974,820,145.12	11.10%	1.82%	11.25%	66.5
69 - 73...	14,415	2,162,880,398.09	24.62	1.74	10.20	70.6
74 - 78...	14,662	2,236,685,291.80	25.46	1.74	8.92	75.5
79 - 83...	11,755	1,821,761,418.43	20.73	1.74	9.08	80.4
84 - 88...	7,077	1,132,981,824.57	12.90	1.75	10.48	85.2
89 - 93...	2,316	380,519,088.70	4.33	1.78	11.34	90.0
94 - 98...	403	69,191,830.06	0.79	1.79	16.16	94.8
More than 99	41	7,423,444.01	0.08	1.87	6.50	99.8
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Borrower Gender of the Related Borrower for the Group I Loans

Borrower Gender(1)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Female	30,731	$4,644,981,451.67	52.87%	1.73%	9.78%	76.8
Male..	16,713	2,630,454,212.23	29.94	1.87	8.57	75.9
Unknown	10,002	1,510,827,776.88	17.20	1.62	12.51	75.8
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

(1) Information in the table above indicates the gender of the primary borrower where there are co-borrowers on a Mortgage Loan.

Mortgaged Property Type for the Group I Loans

Property Type	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Single Family Home	43,737	$6,742,914,601.01	76.74%	1.75%	10.75%	76.4
Planned Unit Development	7,222	1,135,159,266.78	12.92	1.77	6.01	76.0
Condominium.......................................	3,472	505,663,514.80	5.76	1.74	6.87	77.5
Manufactured Home.............................	2,077	245,737,623.08	2.80	1.69	8.75	74.8
Two- to Four-Family............................	739	133,673,576.92	1.52	1.84	12.85	76.9
Unknown	192	21,922,719.24	0.25	1.86	9.77	80.2
Other...	7	1,192,138.95	0.01	1.71	5.20	78.6
Total:...	57,446	$8,786,263,440.78	100.00%	1.75%	9.89%	76.4

Group II Loan Characteristics

All statistical information relating to the collateral characteristics of the Mortgage Loans described in this Information Memorandum are subject to variance: up to 5% of the Mortgage Loans (by aggregate Cut-off Date Balance) may be added or removed from the Trust prior to the Closing Date.

The Group II Loans will consist of approximately 2,931 Mortgage Loans with a Group II Cut-off Date Aggregate Balance of approximately $470,283,173. The Cut-off Date Balances of the Group II Loans range from approximately $644 to approximately $571,296. The Group II Loans have an average Cut-off Date Balance of approximately $160,451.

As of the Cut-off Date, the Principal Limit of the Group II Loans range from approximately $18,505 to approximately $593,854 and the average Principal Limit of the Group II Loans as of the Cut-off Date is approximately $204,305. As of the Cut-off Date, the Maximum Claim Amount of the Group II Loans range from approximately $22,000 to approximately $892,500 and the average Maximum Claim Amount of the Group II Loans as of the Cut-off Date is approximately $273,832.

The Cut-off Date Balances of the Group II Loans, as a percentage of their principal limits, ranges from 0.16% to 117.06%, with a weighted average of 86.30%. The Cut-off Date Balances of the Group II Loans, as a percentage of their Maximum Claim Amounts, ranges from 0.11% to 99.76%, with a weighted average of 64.57%.

All of the Group II Loans accrue interest at a variable mortgage rate (the "Mortgage Rate"), adjusted monthly, equal to One-Month LIBOR plus the related margin (the "Gross Margin"), subject to a maximum mortgage rate (the "Maximum Mortgage Rate") and a minimum mortgage rate (the "Minimum Mortgage Rate"). "One-Month LIBOR" is equal to the average of the London interbank offered rates for one-month United States dollar deposits as published in the Wall Street Journal on or after the 25th day of each month. If such rate ceases to be published in the Wall Street Journal or becomes unavailable for any reason, then the rate will be based upon a new index selected by the originator, from the list of indices approved for use with HUD-insured HECMs, which will be announced as soon as it is available.

The Mortgage Rates of the Group II Loans range from approximately 1.25% per annum to approximately 3.51% per annum and the weighted average Mortgage Rate of the Group II Loans is approximately 2.71% per annum. As of the Cut-off Date, the Group II Loans had Gross Margins ranging from 1.00% per annum to 3.25% per annum and Maximum Mortgage Rates ranging from 11.85% per annum to 15.63% per annum. As of the Cut-off Date, the weighted average Gross Margin of the Group II Loans was approximately 2.45% per annum and the weighted average Maximum Mortgage Rate of the Group II Loans was approximately 13.03% per annum.

No more than approximately 0.51% of the Group II Loans as of the Cut-off Date are secured by mortgaged properties located in any one zip code area.

The debenture rate on the Group II Loans ranged from 4.13% per annum to 4.63% per annum and the weighted average debenture rate of the Group II Loans was approximately 4.15% per annum.

All calculations of the "Weighted Average Borrower Age" with respect to the Group II Loans below were determined as of May 1, 2011.

The Group II Loans are expected to have the following characteristics as of the Cut-off Date (the sum in any column may not equal the total indicated due to rounding):

Cut-off Date Balance of the Group II Loans

Cut-off Date Balance ($)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
0.01 - 50,000.00....................................	272	$ 9,906,477.13	2.11%	2.90%	9.22%	74.1
50,000.01 - 100,000.00	763	58,101,562.01	12.36	2.78	6.60	74.2
100,000.01 - 150,000.00	676	83,421,534.26	17.74	2.66	7.43	74.7
150,000.01 - 200,000.00	414	71,530,660.51	15.21	2.63	7.17	74.5
200,000.01 - 250,000.00	235	52,609,645.70	11.19	2.60	9.91	74.4
250,000.01 - 300,000.00	203	55,665,467.87	11.84	2.64	7.60	74.2
300,000.01 - 350,000.00	140	44,913,106.19	9.55	2.76	9.99	76.9
350,000.01 - 400,000.00	115	42,960,816.79	9.14	2.84	7.95	76.5
400,000.01 - 450,000.00	67	28,250,339.20	6.01	2.83	6.03	74.7
450,000.01 - 500,000.00	28	13,413,654.37	2.85	2.88	0.00	80.7
More than 500,000.00	18	9,509,909.96	2.02	2.87	5.94	86.5
Total:...	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Maximum Claim Amount of the Group II Loans

Maximum Claim Amount ($)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Less than 25,000.00..............................	2	$ 37,471.27	0.01%	3.15%	0.00%	91.9
25,000.01 - 50,000.00	24	638,656.25	0.14	2.92	21.21	76.8
50,000.01 - 75,000.00	102	4,311,118.53	0.92	2.96	16.60	74.4
75,000.01 - 100,000.00	166	9,298,823.64	1.98	2.81	7.72	74.9
100,000.01 - 125,000.00	241	17,734,552.49	3.77	2.76	9.41	75.3
125,000.01 - 150,000.00	257	22,306,230.80	4.74	2.74	9.56	75.2
150,000.01 - 175,000.00	226	23,206,855.69	4.94	2.67	9.61	74.9
175,000.01 - 200,000.00	224	25,638,137.67	5.45	2.67	10.98	74.7
200,000.01 - 225,000.00	180	23,201,491.93	4.93	2.62	5.19	74.4
225,000.01 - 250,000.00	203	28,304,365.28	6.02	2.64	9.91	75.3
250,000.01 - 275,000.00	128	19,695,616.58	4.19	2.65	10.03	73.4
275,000.01 - 300,000.00	138	23,393,555.72	4.97	2.55	6.36	74.1
300,000.01 - 325,000.00	98	17,314,979.67	3.68	2.59	8.38	74.3
325,000.01 - 350,000.00	112	22,206,316.11	4.72	2.62	9.97	75.1
350,000.01 - 375,000.00	104	21,961,441.54	4.67	2.39	3.62	74.3
375,000.01 - 400,000.00	82	20,225,132.16	4.30	2.68	9.71	75.2
400,000.01 - 425,000.00	134	31,604,295.63	6.72	2.50	9.67	76.8
425,000.01 - 450,000.00	58	15,375,373.28	3.27	2.82	5.41	74.7
450,000.01 - 475,000.00	39	10,895,809.80	2.32	2.85	8.51	77.6
475,000.01 - 500,000.00	57	15,851,496.64	3.37	2.88	6.66	75.4
500,000.01 - 525,000.00	46	13,975,072.52	2.97	2.90	2.22	74.6
525,000.01 - 550,000.00	53	15,589,604.01	3.32	2.89	14.72	74.9
More than 550,000.01	257	87,516,776.78	18.61	2.88	3.32	76.5
Total:...	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Status of Group II Loans

Status	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Active	2,707	$434,595,685.31	92.41%	2.71%	0.00%	75.3
Default (T&I)	95	14,014,934.13	2.98	2.70	100.00	75.9
Default (Valid Repayment Plan)	72	13,587,096.90	2.89	2.78	100.00	74.7
Default (Other)	57	8,085,457.65	1.72	2.66	100.00	73.9
Total:..	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Mortgage Rate of the Group II Loans

Mortgage Rate (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Less than 1.251....................................	107	$ 15,053,427.35	3.20%	1.25%	13.30%	75.5
1.501 - 1.750..	49	8,190,550.17	1.74	1.68	13.30	76.7
1.751 - 2.000..	117	17,738,144.61	3.77	1.87	9.04	75.4
2.001 - 2.250..	284	40,241,123.11	8.56	2.01	7.14	74.9
2.251 - 2.500..	51	9,006,051.37	1.92	2.42	2.33	74.3
2.501 - 2.750..	608	112,773,156.19	23.98	2.59	8.19	74.5
2.751 - 3.000..	911	155,659,537.56	33.10	2.77	4.69	74.8
3.001 - 3.250..	78	13,656,871.80	2.90	3.01	11.91	76.5
3.251 - 3.500..	48	4,954,397.30	1.05	3.26	5.67	74.9
3.501 - 3.750..	678	93,009,914.53	19.78	3.51	10.18	76.9
Total:..	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Debenture Rate relating to the Group II Loans

Debenture Rate (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
4.001 - 4.250..	2,709	$438,657,638.17	93.28%	2.80%	7.44%	75.2
4.251 - 4.500..	102	14,263,581.63	3.03	1.26	10.70	75.7
4.501 - 4.750..	120	17,361,954.19	3.69	1.74	8.84	75.6
Total:..	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Geographic Concentration of the Mortgaged Properties Related to the Group II Loans

Geographic Concentration	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
California...	477	$118,736,609.99	25.25%	2.77%	2.85%	77.0
Florida	329	42,822,276.68	9.11	2.44	9.73	74.7
Washington..	206	38,971,756.46	8.29	2.67	6.57	75.1
Texas..	327	35,087,365.10	7.46	2.84	10.56	74.0
New York	91	21,206,951.40	4.51	2.88	16.20	77.0
Oregon	123	20,225,021.86	4.30	2.74	1.29	73.3
Arizona	131	19,122,596.00	4.07	2.53	5.12	74.1
Virginia..	125	16,931,090.13	3.60	2.65	3.67	72.9
Illinois..	96	15,257,998.01	3.24	2.70	7.43	77.2
Maryland	81	14,130,242.86	3.01	2.54	12.38	73.9
New Jersey	65	12,764,230.89	2.71	2.57	16.05	75.7
Pennsylvania..	79	10,996,816.50	2.34	2.77	8.10	73.7
Colorado	61	10,410,806.00	2.21	2.63	5.70	75.1
Massachusetts......................................	52	8,199,029.73	1.74	2.64	8.35	76.3
Georgia	65	7,916,432.60	1.68	2.70	11.82	73.0
South Carolina.....................................	59	7,256,052.86	1.54	2.51	4.83	73.3
Nevada...	44	7,176,220.71	1.53	2.59	11.90	75.1
North Carolina.....................................	59	6,077,639.93	1.29	2.88	13.08	74.3
Connecticut..	36	5,804,450.01	1.23	2.53	28.66	77.2
Missouri...	53	4,876,457.09	1.04	2.73	12.15	74.9
Utah	22	4,323,206.19	0.92	2.60	0.00	77.7
Alabama...	41	4,094,761.34	0.87	3.02	14.79	71.9
District of Columbia............................	17	4,012,098.10	0.85	2.80	17.81	73.7
Michigan..	38	3,843,558.41	0.82	2.74	4.37	75.9
Tennessee	34	3,681,735.76	0.78	2.75	19.10	72.8
Other..	220	26,357,769.38	5.61	3.04	7.94	74.7
Total:..	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Gross Margin of the Group II Loans

Gross Margin (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
0.751 - 1.000...	107	$ 15,053,427.35	3.20%	1.25%	13.30%	75.5
1.001 - 1.250...	11	2,443,716.49	0.52	1.51	13.03	76.5
1.251 - 1.500...	114	15,843,718.09	3.37	1.76	6.59	76.4
1.501 - 1.750...	325	47,882,383.31	10.18	2.01	8.78	74.8
1.751 - 2.000...	17	3,147,682.60	0.67	2.26	0.00	73.1
2.001 - 2.250...	462	79,585,320.63	16.92	2.51	7.62	74.4
2.251 - 2.500...	1,073	191,113,197.78	40.64	2.76	5.59	74.8
2.501 - 2.750...	96	17,249,415.91	3.67	3.01	9.43	76.4
2.751 - 3.000...	48	4,954,397.30	1.05	3.26	5.67	74.9
More than 3.001	678	93,009,914.53	19.78	3.51	10.18	76.9
Total:...	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Maximum Mortgage Rate of the Group II Loans

Maximum Mortgage Rate (%)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
11.001 - 12.000....................................	35	$ 5,249,990.23	1.12%	1.75%	9.16%	76.6
12.001 - 13.000....................................	1,384	236,666,567.34	50.32	2.51	7.16	74.5
13.001 - 14.000....................................	1,502	226,939,284.87	48.26	2.95	8.00	76.0
14.001 - 15.000....................................	7	1,048,699.90	0.22	1.85	0.00	77.3
15.001 - 16.000....................................	3	378,631.65	0.08	1.75	27.90	87.0
Total:...	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Line of Credit Available for Group II Loans[1]

Line of Credit Available ($)	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
0.01 - 20,000.00....................................	1,164	$203,672,296.59	58.61%	2.68%	0.00%	75.4
20,000.01 - 40,000.00	210	35,301,276.53	10.16	2.70	0.00	74.0
40,000.01 - 60,000.00	162	26,840,642.57	7.72	2.67	0.00	74.3
60,000.01 - 80,000.00	111	19,928,843.05	5.74	2.76	0.00	75.7
80,000.01 - 100,000.00	80	12,890,386.06	3.71	2.70	0.00	76.4
100,000.01 - 120,000.00	66	11,562,138.88	3.33	2.74	0.00	76.3
120,000.01 - 140,000.00	42	6,476,790.59	1.86	2.81	0.00	77.4
More than 140,000.00	202	30,838,678.81	8.87	2.86	0.00	78.8
Total:...	2,037	$347,511,053.08	100.00%	2.71%	0%	75.6

(1) The table above only represents Group II Loans where the related borrower is able to access funds under its line of credit.

Borrower Age of the Related Borrower for the Group II Loans

Borrower Age	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
64 - 68...	634	$ 94,200,895.20	20.03%	2.67%	9.22%	66.0
69 - 73...	732	113,131,629.43	24.06	2.69	7.33	70.6
74 - 78...	656	107,038,046.90	22.76	2.72	7.48	75.6
79 - 83...	451	74,285,894.91	15.80	2.72	5.62	80.4
84 - 88...	304	51,044,461.91	10.85	2.76	8.29	85.1
89 - 93...	121	23,085,002.89	4.91	2.86	6.02	90.0
94 - 98...	29	6,910,799.54	1.47	2.65	10.49	95.0
More than 99	4	586,443.21	0.13	2.84	31.47	99.1
Total:...	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

Borrower Gender of the Related Borrower for the Group II Loans

Borrower Gender[1]	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Male..	1,317	$213,283,524.53	45.35%	2.80%	6.43%	74.1
Female	1,191	179,198,181.55	38.10	2.78	7.97	76.7
Unknown	423	77,801,467.91	16.54	2.31	9.89	75.2
Total:...	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

(1) Information in the table above indicates the gender of the primary borrower where there are co-borrowers on a Mortgage Loan.

Mortgaged Property Type for the Group II Loans

Property Type	Loan Count	Aggregate Cut-off Date Balance	Percentage of Aggregate Cut-off Date Balance	Weighted Average Mortgage Rate	Default (Percentage of Aggregate Cut-off Date Balance)	Weighted Average Borrower Age
Single Family Home	2,137	$342,342,786.06	72.80%	2.73%	8.42%	75.2
Planned Unit Development	448	73,833,934.70	15.70	2.63	3.98	74.6
Condominium.......................................	177	28,080,023.37	5.97	2.62	4.98	77.0
Two- to Four-Family............................	65	15,435,853.50	3.28	2.79	12.19	76.6
Manufactured Home.............................	104	10,590,576.36	2.25	2.79	6.01	74.5
Total:	2,931	$470,283,173.99	100.00%	2.71%	7.59%	75.3

The FHA Insurance and Mortgage Insurance Premiums

The Seller will represent as of the Closing Date that each of the Mortgage Loans is subject to FHA insurance which is in full force and effect as of the Closing Date. The FHA is an organizational unit within HUD. The FHA was established to encourage improvement in housing standards and conditions and to exert a stabilizing influence on the mortgage market.

The "Maximum Claim Amount" (excluding certain reimbursable amounts of accrued interest, which amounts may be paid in addition to the Maximum Claim Amount) under the FHA insurance with respect to a Mortgage Loan is established at the origination of such Mortgage Loan and is generally equal to the lesser of (a) the appraised value of the Mortgaged Property or (b) the national mortgage limit for a one family residence under Section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (as adjusted where applicable under Section 214 of the National Housing Act) as of the date of the mortgage loan closing.

A mortgage insurance premium for the FHA insurance is charged for each Mortgage Loan in the Mortgage Pool to the related borrower. The mortgage insurance premium is paid by the Servicer as follows: (1) at the origination of the Mortgage Loan, in an amount equal to 2.00% of the related Maximum Claim Amount and (2) monthly in an amount equal to the product of (a) 1/12th, (b) 0.50% and (c) the Stated Principal Balance of the Mortgage Loan. All mortgage insurance premium payments are remitted by the Servicer or the borrower to HUD at origination (with respect to the premium due at origination) and monthly by the Servicer (with respect to each monthly premium). The mortgage insurance premium for each Mortgage Loan is (1) with respect to the premium due at origination, at the borrower's option either paid by the borrower (in which case, the Servicer will not pay such amount) or paid by the Servicer and added to the Stated Principal Balance of the Mortgage Loan and (2) with respect to the monthly premiums, paid by the Servicer and added to the Stated Principal Balance of the Mortgage Loan each month as a Principal Advance. See *"—Principal Advances under the Mortgage Loans"* below.

In addition, the FHA permits the mortgagee of an FHA-insured Mortgage Loan to assign such Mortgage Loan to HUD for payment of the related Maximum Claim Amount when either (A) the outstanding Stated Principal Balance of such Mortgage Loan is equal to or greater than 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the related Maximum Claim Amount or (B) a request for a line of credit draw or a change in the payment plan would cause the outstanding principal of such Mortgage Loan to equal or exceed 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the related Maximum Claim Amount and all other conditions for assignment of such Mortgage Loan to HUD have been satisfied. For each Mortgage Loan which satisfies the above conditions, the Servicer will be required to assign each such Mortgage Loan (any such Mortgage Loan successfully assigned, an "Assigned Mortgage Loan"). Under the Servicing Agreement, the Servicer is required to assign Mortgage Loans directly to HUD when the outstanding Stated Principal Balance of such Mortgage Loan is equal to or greater than 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the related Maximum Claim Amount. However, the Mortgage Loan may not be assignable for many possible reasons, including document deficiencies and the failure of the borrower to make required payments with respect to property taxes and hazard insurance. To the extent that the Servicer fails to assign a Mortgage Loan serviced by it to HUD at 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the Maximum Claim Amount, the Servicer will provide written notice to the Co-Trustee and the Guarantor detailing the date on which such Mortgage Loan became eligible for assignment to HUD and the reasons for the Servicer's failure to make such assignment. Any such Mortgage Loan will remain in the Trust until otherwise liquidated.

In order to obtain the benefit of the FHA insurance on any Mortgage Loan in the Mortgage Pool, the Servicer must have (1) made all required payments to the related borrower (including any required monthly payments and any payments in respect of any draw on such Mortgage Loan that is a line of credit, modified term or modified tenure loan) and (2) paid all the required mortgage insurance premium payments related to such Mortgage Loan to HUD. If the Servicer fails to make the required payments to the related borrower or fails to pay the required premium, the FHA insurance for such Mortgage Loan may be terminated.

If the Servicer fails to make payments to the borrower under a Mortgage Loan, the local HUD office will contact the Servicer to determine the reason for non-payment. If the required payment cannot be made by the Servicer or the holder of the Mortgage Loan, then HUD will make the payment and will issue a demand letter to the Servicer and the holder of the related Mortgage Loan requesting reimbursement for such payment. If the Servicer or the holder of the Mortgage Loan does not resume making payments under such Mortgage Loan, the related Mortgage Loan must be assigned to HUD. If HUD accepts such assignment, the Servicer may file a claim for FHA insurance payments. Any eventual claim amount on such assigned Mortgage Loan may be reduced by HUD's administrative expenses. However, if the Servicer fails to reimburse HUD or assign the Mortgage Loan to HUD, the insurance contract will be terminated. Upon such termination, no claim for FHA insurance payments can be filed and the Servicer will only be entitled to be reimbursed for payments actually made to the related borrower (less interest thereon and other administrative charges imposed by HUD on payments not made by the Servicer, including late fees and interest) and only upon the payment in full of the related Mortgage Loan.

If the amount of FHA insurance payments is curtailed or a claim is denied as a result of a servicing error or a failure by the Servicer or the REO Manager to comply with the HUD servicing guidelines, the Servicer or the REO Manager will be required to reimburse the Guarantor or the Trust, as applicable, for the amount of such curtailment or claim, to the extent provided in the Servicing Agreement.

Principal Advances under the Mortgage Loans

The Servicer will be required under the terms of the mortgage notes and under the Servicing Agreement to continue to make, from its own funds, subject to reimbursement, all payments required under the terms of the Mortgage Loans on or after the Cut-off Date. These payments include (1) any scheduled monthly payment to the borrower under any Mortgage Loan that is a term or tenure loan or any term or tenure portion of any Mortgage Loan that is a modified term or modified tenure loan, (2) all required mortgage insurance premium payments to HUD, (3) any related Servicing Fees incurred, and (4) any Capitalized Servicing Advances. These payments will be added to the Stated Principal Balance of such Mortgage Loan after the Cut-off Date by the Servicer and are referred to herein as a "Scheduled Principal Advance." Any draw made by a borrower under a Mortgage Loan that is a line of credit or under the line of credit portion of any Mortgage Loan that is a modified term or modified tenure loan are also added to the Stated Principal Balance of such Mortgage Loan and are referred to as an "Unscheduled Principal Advance." Scheduled Principal Advances and Unscheduled Principal Advances are referred to together as "Principal Advances." Any successor Servicer will be required to assume the predecessor Servicer's obligation to make Principal Advances required under the terms of the Mortgage Loans serviced by the predecessor Servicer. Principal Advances made by the Servicer after the Cut-off Date will be added to the Stated Principal Balance of the related Mortgage Loan.

Review Procedures

An affiliate of the Depositor engaged Clayton Services, LLC ("Clayton") to conduct a review of certain aspects of the Mortgage Loans. Clayton reviewed a total of 632 Mortgage Loans (such Mortgage Loans, the "Sample Mortgage Loans"), randomly selected, for compliance with all applicable federal, state and local laws, including required disclosures to borrowers. Clayton also reviewed the Sample Mortgage Loans for data errors and the contents of the loan files. The Sample Mortgage Loans were reviewed to ensure that they each had a mortgage insurance certificate evidencing FHA insurance.

As a result of Clayton's findings, none of the Sample Mortgage Loans were removed from the Mortgage Pool. Based on the results of the sample review described above, no additional due diligence was conducted with a larger sample.

No due diligence other than the due diligence described above was performed on any of the Mortgage Loans. In addition, no independent property valuations were obtained with respect to the Mortgage Loans.

THE ORIGINATOR

Bank of America, National Association

All of the Mortgage Loans were originated by the Originator either directly or indirectly through an Originating Affiliate. The Originator is an indirect wholly-owned subsidiary of Bank of America Corporation. Bank of America is engaged in a general consumer banking, commercial banking, and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. Bank of America is a national banking association chartered by the OCC and is subject to the regulation, supervision and examination of the OCC. Bank of America and its affiliates have been active in the securitization market since inception. Bank of America has sponsored publicly offered securitization transactions since 1977. Bank of America and its affiliates have been involved with the origination of auto loans, student loans, home equity loans, credit card receivables, manufactured housing contracts, residential mortgage loans and commercial mortgage loans, as well as less traditional asset classes. Bank of America and its affiliates have also participated in a variety of collateralized loan obligation transactions, synthetic securitizations, and asset-backed commercial paper programs. Bank of America and its affiliates have served as sponsors, issuers, dealers, and servicers in a wide array of securitization transactions. Bank of America's headquarters and its executive offices are located at 101 South Tryon Street, Charlotte, North Carolina 28255, and the telephone number is (704) 386-5478.

The Originator began originating FHA-insured home equity conversion mortgage loans ("HECMs") following the acquisition of Seattle Mortgage Company's assets ("Seattle Mortgage") on or about June 30, 2007. Seattle Mortgage was a Washington based corporation, a wholly-owned subsidiary of Seattle Bank, which is a Washington State Chartered Stock Savings Bank. In addition, the Mortgage Loans include those originated by Countrywide Home Loans, Inc., which was acquired by the Originator in 2008 as part of a stock purchase. In February 2011, the Originator announced that it would no longer originate HECMs.

Underwriting Guidelines

All Mortgage Loans originated by the Originator comprising the assets of the Issuer were originated in accordance with HUD guidelines for HECMs by HUD-approved delegated underwriters. HECMs originated by the Originator are underwritten generally in accordance with the following procedures. The origination procedures and underwriting guidelines for HECMs are generally consistent throughout the reverse mortgage industry.

Each prospective borrower submitted an application package that included a signed application, a signed form advising the potential borrower to seek the advice of a trusted advisor or counsel before the closing of the related Mortgage Loan and certain disclosure forms required under the Real Estate Settlement Procedures Act of 1974 ("RESPA") and the Truth in Lending Act of 1960 ("TILA"). The Originator obtained a credit report on each borrower and a counseling certificate from each borrower. The Originator generally obtained a verification of mortgage for any existing mortgage loans. The origination process required that adequate title insurance, standard fire and hazard insurance and, where necessary, flood insurance be obtained and maintained by the borrower.

During the application process, the applicant is required to authorize the Originator to obtain a credit report which summarizes the applicant's credit history. The credit report must be a tri-merge (three credit repositories). The credit report was utilized in the HECM underwriting procedure to determine if there were any unpaid federal debts or unresolved bankruptcies. Judgments, state or county unpaid debts, and credit scores were not considered in the HECM application procedure.

The market value of the mortgaged property is determined by an approved FHA appraiser, who issues a complete appraisal report on the appropriate Fannie Mae appraisal form. The underwriter reviews the full appraisal report for each HECM. The underwriter assesses whether the mortgaged property is acceptable for collateral purposes and whether the appraised value is adequately supported by similar homes, which are recent sales within the subject property area.

Based on the appraiser's visual observation of the mortgaged property and the comments within the report, the underwriter may determine additional inspections of the mortgaged property are required. Needed repairs to the mortgaged property are typically limited to those which protect the safety and health of the occupants or structural soundness of the property. Necessary repairs may be done within 12 months after closing of the HECM, within specific guidelines of HUD's home equity conversion mortgage program.

After the Mortgage Loan is originated, the mortgagee must submit the mortgage for recording and send the Mortgage Loan closing documents and complete mortgage file (the "Closing File") to HUD for review. The Closing File includes the mortgagee's certification that the mortgage has been closed, a certified copy of the mortgage and mortgage note, the original loan agreements, a copy of the borrower's initial payment plan, evidence of hazard insurance, evidence of title insurance and confirmation of the first payment of the mortgage insurance premium. The HUD office endorses the mortgage for insurance after determining the acceptability of the Closing File. Then HUD signs the loan agreements and issues a mortgage insurance certificate which is sent to the mortgagee and included in the loan file. The Seller will represent that all of the Mortgage Loans included in the Trust have been checked to confirm that they are eligible for FHA insurance.

THE SERVICER

BAC Home Loans Servicing, LP

The Mortgage Loans will initially be serviced by BAC Home Loans Servicing, LP ("BACHLS").

General

BACHLS will serve as the Servicer under the Servicing Agreement. BACHLS is a Texas limited partnership engaged in the business of servicing residential mortgage loans, including HECMs. Its executive offices are located at 6400 Legacy Drive, Plano, Texas, 75024. BACHLS's HECM servicing operations are primarily located in Seattle, Washington and Tempe, Arizona. BACHLS is an indirect wholly owned subsidiary of Bank of America, N.A ("BANA").

Bank of America Corporation acquired the reverse mortgage origination and servicing business of Seattle Bank in July of 2007. Bank of America also acquired Countrywide Financial Corporation, including its HECM origination and servicing business, in July of 2008.

BACHLS may perform any of its servicing obligations under the Servicing Agreement through one or more subservicers, third-party vendors, affiliates or subsidiaries. Despite the existence of such arrangements, BACHLS will be liable for its servicing duties and obligations under the Servicing Agreement as if it alone were servicing the related HECMs. BACHLS is an approved seller/servicer for HUD and Fannie Mae. In addition to servicing Mortgage Loans for the Issuer, BACHLS also services HECMs for other investors.

BACHLS uses a mortgage servicing platform that allows it to perform mortgage servicing activities specifically tailored for HECMs including, but not limited to: (i) performing account maintenance; (ii) entering and updating transaction data; (iii) processing of payments; and (iv) generating transaction and monthly statistical reports.

BACHLS has implemented and tested a business continuity and disaster recovery plan. In case of an event causing a material interruption of services, impacted functions are to be transferred to an offsite facility. The offsite facility will have access to all data and tools necessary to continue servicing all mortgage loans. BACHLS's business continuity and disaster recovery plan is tested and updated annually.

BACHLS servicing processes and procedures have generally been consistent over the past three years. Changes in process or procedure have been made with respect to enhancements to increase efficiencies, efforts to better service its customer base, or in response to changes in state or federal law or investor or insurer requirements, such as updates from Fannie Mae or HUD.

Prior to the Closing Date, the Servicer did not provide timely notice of interest rate adjustments on certain Mortgage Loans within the timeframe required by the loan documents and HUD guidelines. As a result, additional interest accrued on the affected Mortgage Loans. From the Closing Date to the Distribution Date occurring in August 2011, to reconcile the additional accrued interest, the Servicer will be using its own funds to make adjustments to the affected Mortgage Loans, which adjustments will be treated as partial principal prepayments with respect to the related Mortgage Loans. The aggregate amount of the adjustments will be equal to less than 0.1% of the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date.

Description of Servicing Processes

Defaults, Losses

BACHLS monitors the HECMs it services for a variety of situations that present the risk of a potential loss to the Issuer. Those situations are also addressed in the HECM agreements and include:

- the last remaining borrower passes away, transfers title or moves out of the collateral property;
- the borrower fails to pay taxes and/or hazard insurance; and
- the borrower fails to maintain the collateral property in satisfactory condition.

The following is a summary of BACHLS's processes and procedures to respond to these situations:

Death, Non-Occupancy and Transfer of Title

BACHLS follows HUD's guidelines for servicing of HECMs. Once BACHLS is notified that the last remaining borrower has passed away: (i) the HECM is due and payable effective as of the date of death; (ii) a due and payable letter is mailed; (iii) an inspection is ordered to determine occupancy and property condition; and (iv) the line of credit and/or monthly payment are suspended. If contact with the estate (or the heirs of the borrower on behalf of the estate) has been made, the initial timeline for repayment is six months from the date the loan became due and payable.

During this six month timeline, direct mail and telephone contact efforts are made with the estate. Specifically, a due and payable letter is sent once the death has been confirmed with the Social Security Administration. This letter will include explanation of the timeline and a list of options available to the estate to satisfy the HECM debt. The letter also states that BACHLS can initiate foreclosure 30 days after the date of the letter. A second letter is sent 30 days after the demand letter if a copy of the death certificate has not be received. A preliminary foreclosure letter is sent 90 days after the due and payable date requesting a written request for an extension if additional time is needed beyond the six month timeframe.

The estate is permitted to initiate requests for extensions beyond the six month timeline. Requests of this nature are in writing and must be received by BACHLS prior to lapse of the six month timeframe. All requests are submitted to HUD for approval. Including any extensions, the maximum timeline for repayment under HUD servicing guidelines is one year. Once the year timeline has expired, the foreclosure process must be initiated unless HUD provides approval for any further delay.

The same general repayment timeline is used if the mortgagor has moved out of the property or transferred title. The only difference is that BACHLS must request and receive approval from HUD before calling the loan due and payable if the mortgagor has moved out of the property. Once approval is received: (i) a formal demand letter is mailed; (ii) an inspection is ordered to determine occupancy and property condition; and (iii) and the line of credit and /or monthly payment is suspended.

Failure to Pay Taxes and/or Insurance

Unless a tax/insurance set-aside is in place, it is the responsibility of the mortgagor to keep in force hazard insurance and pay property taxes on the collateral property. If BACHLS becomes aware that a borrower has failed to pay a tax/insurance payment, BACHLS will generally contact the borrower through mailings and phone calls prior to making an advance on behalf of the borrower to confirm that the borrower will be making their tax/insurance payment. If contact cannot be established or the borrower is unable to pay with his/her own funds or through available loan funds, BACHLS will advance funds and the loan will be considered to be in a tax and/or insurance default. Regardless, the Servicer will follow HUD guidelines and requirements with respect to servicing of Mortgage Loans where the borrower fails to pay taxes or insurance.

Once the advance has been made on behalf of the borrower, mailings are sent to the mortgagor requesting reimbursement for the advance. Borrowers have the opportunity to participate in an installment reimbursement plan. If the borrower fails to make such arrangements, the loan may be referred to HUD to be called due and payable. The same 6 to 12 month timeline for repayment is then applied and a formal demand letter is mailed.

Property Inspections

BACHLS will hire a vendor to perform an inspection on all related properties on due and payable loans to determine its condition. If the results of the inspection indicate a need for property safeguarding measures, such as securing or winterization, BACHLS will cause proper safeguarding measures to be implemented in accordance with industry and investor standards.

Short-Sale or Deed-in-Lieu

BACHLS has a unit inside its default department that reviews potential loss mitigation opportunities for borrowers. The loss mitigation options for HECMs are either a short sale payoff or a deed-in-lieu of foreclosure. Short sale payoffs are HUD-approved if the payoff amount is at least 95% of the current appraised value of the related property. A deed-in-lieu of foreclosure must be reviewed by HUD before approval is given.

Property Damage

BACHLS has retained a vendor to track hazard insurance. The vendor is responsible for: (i) customer service; (ii) flood processing and tracking and; (iii) renewals. In addition to the vendor, BACHLS also has an insurance department that is responsible for: (i) insurance customer service and (ii) claims processing. The vendor tracks and reports its activities by receiving weekly reports from BACHLS. Employees of BACHLS can access-up-to-the-minute information through the vendor's website.

Bankruptcy

A borrower bankruptcy is not immediately considered a default. Once notice is received that a bankruptcy has been filed (i) the line of credit and/or monthly payments are suspended and (ii) BACHLS refers the case to a nationally recognized bankruptcy law firm. BACHLS utilizes this firm to receive automated updates on bankruptcy cases. The firm is responsible for filing all proof of claims, making objections, and filing motions for relief.

BACHLS monitors the performance of the firm monthly via reports to ensure that HUD's requirements are met and service levels are maintained.

Foreclosure

If BACHLS default department approves a foreclosure, it refers the matter to BACHLS foreclosure counsel or the foreclosure trustee for that particular state. The default department performs the following services: (i) retaining and managing counsel or the trustee under the related deed of trust to pursue the foreclosure; (ii) conducting property inspections and taking appropriate actions to preserve the value of the mortgaged property; (iii) obtaining appraisals or broker price opinions and (iv) if applicable, filing damaged property claims with insurance carriers. Monthly inspections are performed by a vendor on all properties related to a foreclosure.

Foreclosure counsel is selected from the Fannie Mae attorney network list. If counsel is not available for a foreclosure in a particular state, counsel is selected from BACHLS approved list of mortgage banking attorneys.

Litigation Matters

Because the nature of BACHLS business involves the collection of numerous accounts, the validity of liens and compliance with state and federal lending laws, BACHLS is subject to claims and legal actions in the ordinary course of its business. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to claims and actions, and while an adverse judgment in a claim or action could have a significant adverse financial effect on BACHLS, BACHLS believes that the aggregate amount of liabilities that it may face will not result in monetary damages which in the aggregate would have a material adverse effect on the financial condition or results of BACHLS.

THE REO MANAGER

After the Issuer acquires any REO Property through foreclosure on a Mortgage Loan or other comparable conversion of ownership, Reverse Mortgage Solutions, Inc. ("RMS") will act as REO manager (in such capacity, the "REO Manager") of such REO Property. The REO Manager will be responsible for the management and sale of any REO Property and will review FHA claims submitted by the Servicer.

RMS is a HUD and Fannie Mae approved seller/servicer, as well as an approved issuer, servicer and master servicer for Ginnie Mae securitizations of HECMs. RMS is engaged in the business of servicing and private label subservicing HECMs. Its executive offices are located in Spring, Texas. As of April 30, 2011, RMS serviced a portfolio of approximately 46,800 HECMs with an aggregate principal balance of approximately $6.7 Billion.

RMS has developed a specialized, state-of-the-art, scalable HECM servicing system (RM-Navigator®) that meets all of the requirements needed to service, private label subservice, and provide a comprehensive participation system for forming and servicing HECM securities. RMS may utilize third-party vendors for insurance and tax tracking, property inspection, etc., but will remain liable for all of its servicing duties and obligations as if it alone were servicing the related HECMs.

RMS's HECM servicing platform, RM-Navigator®, was designed from the ground up for HECMs, the system meets all the requirements of FHA, Fannie Mae, Ginnie Mae and private investors; the system allows RMS to perform all mortgage servicing activities specifically tailored for HECMs including, but not limited to: (i) performing account maintenance; (ii) entering and updating transaction data; (iii) processing of payments; and (iv) generating transaction and statistical reports. It provides standard, as well as custom, reporting for private investors in mortgage-backed bonds and Ginnie Mae HMBS participation accounting. Operating in a near-paperless environment with full imaging of all loan related documents, RM-Navigator® is ensconced in a totally secure and redundant SAS 70 rated environment on an enterprise clustered SQL Server database engine.

RMS's information technology operations is located is West Palm Beach, Florida, and also serves as a back-up site to RMS's operations site in Spring, Texas. The Florida facility has access to all data, tools and knowledge necessary to continue servicing all Mortgage Loans. RMS's business continuity plans are tested and updated annually.

RMS's servicing policies and procedures, which RMS is contractually bound to follow, are in compliance with state and federal laws, investor requirement and insurer requirements. Changes in policy or procedure are made in response to changes in state or federal law or investor or insurer requirements, such as updates from HUD or Fannie Mae.

RMS follows HUD's guidelines for collection of HECMs. RMS's default department performs the following services: (i) retaining and managing counsel or the trustee under the related deed of trust to pursue the foreclosure; (ii) conducting property inspections and taking appropriate actions to preserve the value of the mortgaged property; (iii) obtaining appraisals or broker price opinions and (iv) if applicable, filing damaged property claims with insurance carriers. Inspections are performed based on HUD and/or investor requirements by a vendor on all properties related to a foreclosure.

Because the nature of RMS's business involves the collection of numerous accounts, the validity of liens and compliance with state and federal lending laws, RMS is subject to claims and legal actions in the ordinary course of its business. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to claims and actions, and while an adverse judgment in a claim or action could have a significant adverse financial effect on RMS, RMS believes that the aggregate amount of liabilities that it may face will not result in monetary damages which in the aggregate would have a material adverse effect on the financial condition or results of RMS.

THE CO-TRUSTEE

U.S. Bank National Association ("U.S. Bank") will act as Co-Trustee under the Trust Agreement. The Co-Trustee will be obligated under the Trust Agreement to make distributions to the holders of the Certificates ("Certificateholders").

U.S. Bancorp, with total assets exceeding $308 billion as of December 31, 2010, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. As of December 31, 2010, U.S. Bancorp served approximately 17 million customers and operated over 3,000 branch offices in 24 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, governments and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country with offices in 47 U.S. cities. The Trust Agreement will be administered from U.S. Bank's corporate trust office located at One Federal Street, 3rd Floor, Boston, MA 02111. U.S. Bank has provided corporate trust services since 1924. As of December 31, 2010, U.S. Bank was acting as trustee with respect to over 71,000 issuances of securities with an aggregate outstanding principal balance of over $2.8 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

On December 30, 2010, U. S. Bank National Association purchased the domestic and European-based securitization trust administration businesses of Bank of America, National Association. Following the closing of the acquisition, U.S. Bank succeeded to duties of the Bank of America affiliate serving as trustee or agent, as applicable, under each client agreement except with respect to those transactions that require additional steps to be taken to transfer the appointments in accordance with the terms of the governing instrument or agreement or applicable law. Under the terms of the agreement, U.S. Bank Corporate Trust Services acquired approximately 2.150 active securitization and related transactions, which include custodial services with respect to more than 2.4 million residential mortgage files and 84,000 commercial mortgage files, and which include more than $1.1 trillion in underlying assets.

U.S. Bank has provided corporate trust services since 1924. As of March 31, 2010, U.S. Bank was acting as trustee with respect to over 75,000 issuances of securities with an aggregate outstanding principal balance of over $2.9 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

The Co-Trustee shall make each monthly statement available to Certificateholders via the Co-Trustee's internet website at http://www.usbank.com/abs. Certificateholders with questions may direct them to the Co-Trustee's bondholder services group at (800) 934-6802.

As of December 31, 2010, U.S. Bank (and its affiliate U.S. Bank Trust National Association) was acting as trustee, registrar and paying agent, and securities administrator on 552 issuances of residential mortgage-backed securities with an outstanding aggregate principal balance of approximately $80,861,400,000.00.

The Depositor, the Seller, the Guarantor and the Servicer may maintain banking and other commercial relationships with U.S. Bank and its affiliates.

The Co-Trustee's procedures for performing its duties as required by the Trust Agreement are set forth as follows:

A U.S. Bank analyst (an "Analyst") will review the relevant executed legal transaction documents for this transaction (collectively, the "Documents") and program the distribution module of U.S. Bank's cash-flow modeling system (the "System") to provide the necessary calculations for this transaction. The programming will consist of modeling all collection and withdrawal activity that will take place in all of the trust accounts for this transaction and modeling the payment priorities (the disbursement of cash) to the Certificateholders and various other parties.

Prior to the first distribution to the Certificateholders, a supervisor for the transaction (the "Supervisor") will create an independent review spreadsheet, which will be based on the Documents and will be processed each month and compared to the System output. The Supervisor will also review the content of the Distribution Date Statements prior to the first Distribution Date to ensure that all information required by the Documents is present and correct.

The entire distribution program will undergo a line-by-line formula review by the Supervisor prior to the sixth month of distributions. The Supervisor's responsibility is to make sure that the program is consistent with the terms and payment priorities set forth in the Documents and that the Distribution Date Statement includes all items required to be reported by the Documents.

On a monthly basis, an Analyst will obtain from the Servicer a file containing the payment activity for the related Collection Period on a loan-by-loan basis. The loan file will be converted to a database format and loaded into the System program. Prior to processing, the loan data will be reviewed to determine the reasonableness of the data based on loan level data received with respect to the cut-off date or the most recent Collection Period. Once the loan data is confirmed with the Servicer, the Analyst will input several aggregate amounts into a System database and begin processing the distributions through the System.

To the extent U.S. Bank is required by the documents to re-compute any loan-data elements supplied by the Servicer, U.S. Bank will do so based on information received from the Servicer. U.S. Bank will identify all discrepancies and bring them to the attention of the Servicer for resolution. If all discrepancies are not resolved by the date required in the Documents, U.S. Bank will deliver a discrepancy memorandum to the Servicer.

The Distribution Date Statements will be reviewed by the Analyst and then by the Supervisor using a transaction-specific review spreadsheet. Any corrections identified by the Supervisor will be corrected by the Analyst and reviewed by the Supervisor. The Supervisor also will be responsible for the timely delivery of reports to the administration unit for processing all cashflow items.

In the past three years, the Co-Trustee has not made material changes to the policies and procedures of its securities administration services for mortgage-backed securities.

Pursuant to the terms of the Trust Agreement, the Co-Trustee will hold title to the Mortgage Loans and be the mortgagee of record on behalf of the Trust. The Co-Trustee shall at all times be an FHA-approved mortgagee, authorized to exercise trust powers; having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authorities; and having (or having a parent that has) long-term debt obligations with a rating of at least investment grade by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), Moody's Investors Service ("Moody's") or DBRS, Inc.

Under the Trust Agreement, U.S. Bank's material duties will be (i) to authenticate and deliver the Certificates and authenticate the Certificates; (ii) to maintain a certificate register; (iii) to calculate and make the required distributions to Certificateholders and the Guarantor on each Distribution Date; (iv) to prepare and make available to Certificateholders and the Guarantor the monthly distribution reports and any other reports required to be delivered by the Co-Trustee; (v) send a notice to holders of a class of Certificates and the Guarantor when the remaining payment on such class of Certificates is to be paid on a specified Distribution Date; (vi) to perform certain tax administration services for the Issuer, (vii) to communicate with Certificateholders and the Guarantor with respect to the Certificates and (viii) to monitor the Servicer's and REO Manager's compliance with the terms of the Servicing Agreement (including, if required, terminating the Servicer and appointing a successor servicer in accordance with the Servicing Agreement). In performing the obligations set forth in clauses (iii), (iv) and (vii) above, the Co-Trustee will be able to rely on the monthly loan information provided to it by the Servicer, and will perform all obligations set forth above solely to the extent described in the Trust Agreement and the Servicing Agreement.

THE DELAWARE TRUSTEE

Pursuant to the Trust Agreement, U.S. Bank Trust National Association, a national banking association, will act as owner trustee ("Delaware Trustee"). U.S. Bank Trust is a national banking association and a wholly-owned subsidiary of U.S. Bank National Association ("U.S. Bank"), the fifth largest commercial bank in the United States. U.S. Bancorp, with total assets exceeding $308 billion as of December 31, 2010, is the parent company of U.S. Bank. As of December 31, 2010, U.S. Bancorp served approximately 17 million customers and operated over 3,000 branch offices in 24 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, governments and institutions.

U.S. Bank Trust has provided owner trustee services since the year 2000. As of December 31, 2010, U.S. Bank Trust was acting as owner trustee with respect to over 559 issuances of securities. This portfolio includes mortgage-backed and asset-backed securities. U.S. Bank Trust has acted as owner trustee of residential mortgage-backed securities since 2000. As of December 31, 2010, U.S. Bank Trust was acting as owner trustee on 45 issuances of residential mortgage-backed securities.

On December 30, 2010, U.S. Bank National Association purchased the domestic and European-based securitization trust administration businesses of Bank of America, National Association. Following the closing of the acquisition, U.S. Bank succeeded to duties of the Bank of America affiliate serving as trustee or agent, as applicable, under each client agreement except with respect to those transactions that require additional steps to be taken to transfer the appointments in accordance with the terms of the governing instrument or agreement or applicable law. Under the terms of the agreement, U.S. Bank Corporate Trust Services acquired approximately 2,150 active securitization and related transactions, which include custodial services with respect to more than 2.4 million residential mortgage files and 84,000 commercial mortgage files, and which include more than $1.1 trillion in underlying assets.

The Delaware Trustee will be entitled to receive a fee payable by the Co-Trustee as compensation for its services under the Trust Agreement.

THE SELLER AND GUARANTOR

Fannie Mae will serve as the seller (the "Seller") and guarantor (the "Guarantor").

General

Fannie Mae is a government-sponsored enterprise that was chartered by Congress in 1938 to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold. The company's charter does not permit it to originate loans and lend money directly to consumers in the primary mortgage market. Fannie Mae's most significant activities are securitizing mortgage loans originated by lenders into Fannie Mae mortgage-backed securities and purchasing mortgage loans and mortgage-related securities for its mortgage portfolio.

Fannie Mae obtains funds to purchase mortgage-related assets for its mortgage portfolio by issuing a variety of debt securities in the domestic and international capital markets. Fannie Mae also makes other investments that increase the supply of affordable housing.

As discussed below, Fannie Mae is currently in conservatorship.

Fannie Mae's principal office is located at 3900 Wisconsin Avenue, NW, Washington, DC 20016 (telephone: (202) 752-7000).

Regulation and Conservatorship

FHFA is an independent agency of the federal government with general supervisory and regulatory authority over Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. FHFA was established in 2008, assuming the duties of Fannie Mae's former safety and soundness regulator, the Office of Federal Housing Enterprise Oversight, and its former mission regulator, the U.S. Department of Housing and Urban Development ("HUD"). HUD remains Fannie Mae's regulator with respect to fair lending matters.

On September 6, 2008, the Director of FHFA placed Fannie Mae into conservatorship and appointed FHFA as the conservator. Upon its appointment, FHFA immediately succeeded to all of Fannie Mae's rights, titles, powers and privileges and those of any stockholder, officer, or director of Fannie Mae with respect to Fannie Mae and Fannie Mae's assets. The conservatorship is a statutory process designed to preserve and conserve Fannie Mae's assets and property, and put the company in a sound and solvent condition. The conservatorship has no specified termination date; and there continues to be uncertainty regarding the future of Fannie Mae, including how long Fannie Mae will continue to be in existence, the extent of its role in the market, what form Fannie Mae will have, and what ownership interest, if any, Fannie Mae's current common and preferred stockholders will hold in the company after the conservatorship is terminated. For more information on the risks to Fannie Mae's business relating to the conservatorship and uncertainties regarding the future of Fannie Mae's company and business, please see "Risk Factors -- Fannie Mae."

In September 2008, Fannie Mae, through FHFA as Fannie Mae's conservator, entered into two agreements with Treasury. The first agreement is the senior preferred stock purchase agreement, which provided Fannie Mae with Treasury's commitment to provide Fannie Mae with funding under specified conditions (the "Commitment"). The senior preferred stock purchase agreement was amended on September 26, 2008, May 6, 2009, and December 24, 2009 (as amended, the "Stock Purchase Agreement"). The December 24, 2009 amendment modified the maximum amount of Treasury's Commitment, providing that the maximum amount will increase as necessary to accommodate any net worth deficits (the amount by which the company's total liabilities exceed the company's total assets) for calendar quarters in 2010 through 2012. For any net worth deficits after December 31, 2012, Treasury's maximum remaining funding commitment at any determination date will be $124.8 billion ($200 billion less Fannie Mae's cumulative draws through March 31, 2010 to cure net worth deficits in 2008 and 2009) less the *smaller* of either (a) Fannie Mae's positive net worth as of December 31, 2012, *or* (b) Fannie Mae's cumulative draws from Treasury for the calendar quarters in 2010 through 2012. Fannie Mae issued 1,000,000 shares of senior preferred stock to Treasury pursuant to the Stock Purchase Agreement.

The other agreement is a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae (the "Warrant") on a fully diluted basis. The senior preferred stock and the Warrant were issued as an initial commitment fee for Treasury's Commitment. The Stock Purchase Agreement and the Warrant contain covenants that significantly restrict Fannie Mae's operations and that are described in Fannie Mae's annual report on Form 10-K for the year ended December 31, 2010.

Fannie Mae generally may draw funds under the Commitment on a quarterly basis when its total liabilities exceed its total assets on its consolidated balance sheet prepared in accordance with GAAP as of the end of the preceding quarter. All funds drawn under the Commitment are added to the liquidation preference on the senior preferred stock, which currently has a 10% annual dividend rate. If Fannie Mae does not pay the dividend quarterly and in cash, the dividend rate will increase to 12% annually, and the unpaid dividend would accrue and be added to the liquidation preference of the senior preferred stock.

Fannie Mae is dependent upon the continued support of Treasury to eliminate Fannie Mae's net worth deficit, which avoids its being placed into receivership. Based on consideration of all the relevant conditions and events affecting Fannie Mae's operations, including Fannie Mae's dependence on the U.S. Government, Fannie Mae continues to operate as a going concern and in accordance with its delegation of authority from FHFA. Fannie Mae remains liable for all of its obligations, including its guaranty obligations associated with the Certificates and other mortgage-backed securities issued by Fannie Mae. The Stock Purchase Agreement is intended to enhance Fannie Mae's ability to meet its obligations. Holders of Certificates may have certain limited rights to bring proceedings against Treasury if Fannie Mae fails to pay under the Fannie Mae Guaranty.

THE CREDIT RISK MANAGER

Wells Fargo Bank, National Association ("Wells Fargo") will serve as the credit risk manager (the "Credit Risk Manager") pursuant to a credit risk management agreement (the "Credit Risk Management Agreement"), dated as of the Closing Date, among the Servicer, the REO Manager, the Issuer, the Guarantor, the Seller and the Credit Risk Manager. The Credit Risk Manager will monitor the Servicer in its servicing of the Mortgage Loans and the REO Manager in its management of the REO Properties, in each case in accordance with the HUD servicing guidelines, and in a limited capacity, with the Servicing Agreement. The Credit Risk Manager will make available all applicable reports on its website, which shall initially be located at http://www.ctslink.com, to the parties to the above referenced agreement and to Certificateholders and holders of the Fannie Mae Guaranteed Grantor Trust Certificates that provide appropriate certification in the form furnished by the Credit Risk Manager (which form may be furnished and submitted electronically via the Credit Risk Manager's website). The Credit Risk Manager will rely solely upon data regarding the Mortgage Loans and REO Properties provided to it by the Servicer and the REO Manager, respectively, in performing its monitoring functions. However, the Credit Risk Manager may be unable to obtain information from the Servicer or the REO Manager necessary to assess performance in accordance with the HUD servicing guidelines or the Servicing Agreement and will have no obligation to obtain information that the Servicer or REO Manager are unwilling or unable to provide. Among other services, to the extent the applicable information is received by the Credit Risk Manager, the Credit Risk Manager will also provide surveillance of the default procedures on the HECMs, testing for accuracy of payment calculations as required under the HUD servicing guidelines, and expediency of the REO/liquidation process in each case.

The Credit Risk Manager will be entitled to receive the Credit Risk Manager Fee as compensation for its services under the Credit Risk Management Agreement.

Wells Fargo Bank is a national banking association and a wholly-owned subsidiary of Wells Fargo & Company. A diversified financial services company, Wells Fargo & Company is a U.S. bank holding company with approximately $1.3 trillion in assets and 280,000 employees as of December 31, 2010 which provides banking, insurance, trust, mortgage and consumer finance services throughout the United States and internationally. Wells Fargo Bank provides retail and commercial banking services and corporate trust, custody, securities lending, securities transfer, cash management, investment management and other financial and fiduciary services. The Depositor, the Seller and the Servicer may maintain banking and other commercial relationships with Wells Fargo Bank and its affiliates. Wells Fargo Bank maintains its principal corporate trust offices located at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951 (among other locations).

THE DEPOSITOR

BA Residential Securitization LLC (the "Depositor"), a Delaware limited liability company, was organized on December 30, 2008 and is an indirect subsidiary of Bank of America Corporation. The Depositor maintains its principal office at 214 North Tryon Street, Charlotte, North Carolina 28255.

The Depositor does not have, nor is it expected in the future to have, any significant assets. It is not expected that the Depositor will have any business operations other than acquiring, owning and transferring mortgage loans and mortgaged-backed securities and selling interests in, or bonds secured by, mortgage loans and mortgaged-backed securities.

The Depositor is an affiliate of the Servicer and the Originator.

THE ISSUER

Mortgage Equity Conversion Asset Trust 2011-1 (the "Issuer") is a special purpose statutory trust that was organized under the laws of the State of Delaware pursuant to a trust agreement, dated March 1, 2011, among the Depositor, the Guarantor, the Seller, the Co-Trustee and the Delaware Trustee, as amended and restated by the Trust Agreement.

The sole purpose of the Issuer is to engage in the following activities: (i) to issue the Certificates pursuant to the Trust Agreement, (ii) on the Closing Date, to acquire the Mortgage Loans from the Depositor, (iii) to invest, or authorize one or more agents to invest, amounts in accounts, (iv) to enter into and perform its obligations under the Trust Agreement, the Servicing Agreement, the Credit Risk Management Agreement and the Custodial Agreements, and to engage in those activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith and (v) to engage in such other activities as may be appropriate in connection with conservation of the assets of the Issuer and the making of payments to Certificateholders. The permitted activities of the Issuer may be modified or amended only with the consent of the majority of the holders of the Certificates and the Guarantor.

THE MORTGAGE LOAN PURCHASE AGREEMENT

The Mortgage Loans will be sold by the Seller to the Depositor pursuant to the terms of the Mortgage Loan Purchase Agreement, dated as of the Closing Date, by and between the Seller and the Depositor (the "Mortgage Loan Purchase Agreement"). The Mortgage Loans will be sold by the Depositor to the Co-Trustee on behalf of the Issuer pursuant to the terms of the Trust Agreement.

Repurchases of Mortgage Loans

Pursuant to the Mortgage Loan Purchase Agreement, the Seller will make certain representations and warranties regarding the Mortgage Loans to the Depositor as of the Closing Date. These representations and warranties will be assigned by the Depositor to the Issuer and by the Issuer to the Co-Trustee for the benefit of the Certificateholders. Pursuant to the Mortgage Loan Purchase Agreement, if (x) the Seller is notified in writing of, or otherwise discovers, a breach of a representation or warranty relating to a Mortgage Loan and the Seller is not able to cure such breach within ninety (90) days following the earlier of Seller's discovery of such breach or receipt of written notice of such a breach (except as provided below) and (y) such breach has a material adverse effect (as further described below) on the interests of the holders of the Certificates (a "Defective Mortgage Loan"), then the Seller will be obligated to repurchase such Defective Mortgage Loan from the Issuer at a price equal to the Repurchase Price within ninety (90) days.

The "Repurchase Price" is an amount equal to the sum of, without duplication, (i) the Stated Principal Balance of such Mortgage Loan as of the repurchase date, (ii) interest accrued on such Stated Principal Balance (but not yet capitalized into the principal balance) at the related Mortgage Rate up to but not including the last day of the month that such repurchase occurs, less amounts received in respect of such repurchased Mortgage Loan which are being held in the Collection Account for distribution in connection with such Mortgage Loan, and (iii) the amount of any outstanding advances owed to the Servicer, plus (iv) all costs and expenses incurred by the Co-Trustee or Servicer arising out of or based upon such breach, including without limitation costs and expenses incurred in the enforcement of the Seller's repurchase obligation in connection with such Mortgage Loan.

Except with respect to certain statistical and ownership representations as set forth in the Mortgage Loan Purchase Agreement, a breach of a representation or warranty with respect to a Mortgage Loan will be deemed to have a material adverse effect on the interests of the holders of the Certificates solely to the extent it results in a denial of an FHA insurance claim with respect to such Mortgage Loan. The Seller will be obligated to repurchase such a Defective Mortgage Loan within ninety (90) days after receiving notice of such denial by FHA, so long as the insurance relating to such Defective Mortgage Loan has not been reinstated prior to such repurchase.

Pursuant to the Mortgage Loan Purchase Agreement, the Co-Trustee, on behalf of the Issuer, will have the right to enforce the obligation of the Seller (i) to cure any breach of a representation and warranty relating to the characteristics of the Mortgage Loans and (ii) to repurchase any Defective Mortgage Loan if such breach is not cured. With respect to a breach of a representation regarding the amount of the Cut-off Date Balance of the Mortgage Loan, instead of repurchasing such a Mortgage Loan, a cure may be effected by the Seller remitting to the Co-Trustee an amount equal to the difference between the Cut-off Date Balance and the actual principal balance of the Mortgage Loan as of the Cut-off Date, which will be treated as a partial prepayment on such Mortgage Loan, and the Mortgage Loan will remain in the Trust until liquidated.

Any fees, costs and expenses incurred by the Co-Trustee in enforcing the rights of Certificateholders will be reimbursed by the Issuer, subject to the Extraordinary Trust Expense Cap. In connection with any such action against the Seller, the Co-Trustee will seek reimbursement for its fees, costs and expenses from the Seller under the terms of the Mortgage Loan Purchase Agreement. If the Co-Trustee recovers any such fees, costs and expenses from the Seller, the Co-Trustee will pay these amounts to the Trust to the extent not used to reimburse the Co-Trustee.

The Co-Trustee will not be obligated to risk its own funds, and will not be required to take any action if it is not assured that its expenses will be covered. Accordingly, the Co-Trustee may decline to commence an enforcement proceeding if in its reasonable judgment it is unlikely to be reimbursed for those expenses (for example, if they might exceed the Extraordinary Trust Expense Cap after giving effect to other Extraordinary Trust Expenses) and, if the Co-Trustee is engaged in enforcement proceedings with respect to several mortgage loan repurchase claims, and its expenses with respect to those proceedings hit the Extraordinary Trust Expense Cap during the year, the Co-Trustee will have the right to abandon those enforcement proceedings.

There can be no assurance that the procedures described above will be adequate to enforce the obligations of the Seller to cure a breach, or to repurchase or substitute for a Mortgage Loan if such breach is not cured.

Assignment of Mortgage Loans to the Trust

The Mortgage Loans, to the extent of their Stated Principal Balances as of the Cut-off Date, will be sold to the Issuer and pledged by the Issuer to the Co-Trustee, together with all amounts received on the Mortgage Loans in respect of such Stated Principal Balances on and after the Cut-off Date. Each Mortgage Loan will be identified in a schedule appearing as an exhibit to the Mortgage Loan Purchase Agreement which specifies with respect to each Mortgage Loan, among other things, the Stated Principal Balance as of the close of business on the Cut-off Date and the rate at which interest is expected to accrue on the such Mortgage Loan.

U.S. Bank National Association, The Bank of New York Trust Company, N.A., and ReconTrust Company, N.A. (each, a “Custodian”, and collectively, the “Custodians”) will each act as custodian with respect to a portion of the Mortgage Loans pursuant to a separate Custodial Agreement, each dated as of the Closing Date (the “Custodial Agreements”) among the Issuer, the Co-Trustee, the Servicer, the REO Manager and such Custodian. The Custodian will hold certain documents related to the Mortgage Loans (including those described in clauses (1) through (9) in the following paragraph) on behalf of the Co-Trustee to the extent they are included in the related mortgage file. On each applicable Distribution Date, each Custodian will be entitled to receive the Custodian Fee for compensation for its services as Custodian under the related Custodial Agreement.

As to each Mortgage Loan, the following documents are expected to be delivered to the Custodians on behalf of the Co-Trustee: (1) the related original mortgage note or, in the absence of such mortgage note, a lost note affidavit, (2) an additional document to the original mortgage note endorsed “pay to the order of, without recourse” and, if previously endorsed signed in the name of the last endorsee, (3) the original mortgage or other security instrument (“Mortgage”) with evidence of recording indicated thereon, (or, if such original recorded Mortgage has not yet been returned by the recording office, a copy thereof certified to be a true and complete copy of such Mortgage sent for recording), (4) the original guaranty (if any), (5) an original assignment of the Mortgage, or substitute assignment of Mortgage in blank in recordable form, (6) the originals or copies of all intervening assignments, (7) the policy of title insurance issued with respect to each Mortgage Loan, (8) the originals or certified true copies of any assumption, consolidation, modification or extension agreements with evidence of recording indicated thereon (or, if such original of such document has not yet been returned by the recording office, a copy thereof certified to be a true and complete copy of such document sent for recording), (9) an original or copy of any powers of attorney (if applicable), (10) the original mortgage insurance certificate and (11) the original HECM loan agreement. However, each Custodian will only be required to certify the existence of the related original mortgage note or a lost note affidavit. The delivery of the other documents will not be certified. In addition, the assignments to the Co-Trustee of the Mortgage Loans will not be submitted for recording except as required in connection with the servicing of the Mortgage Loans.

THE TRUST AGREEMENT

The Certificates will be issued pursuant to the Trust Agreement. The assets of the Issuer will consist of (a) the Mortgage Loans, including all interest and principal due and payable after the Cut-off Date, together with the mortgage files relating to such Mortgage Loans and all rights of the Issuer in the mortgaged property, (b) the Collection Account and the Certificate Account and all amounts deposited and all securities held therein pursuant to the applicable provisions of the Trust Agreement, (c) any insurance proceeds, REO Property, liquidation proceeds and other recoveries (in each case, subject to clause (a) above), (d) any insurance policies, (e) the Trust's rights and benefits but none of its obligations under the Mortgage Loan Purchase Agreement and the Servicing Agreement, and (f) all present and future claims, demands, causes of action and chooses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing.

Fannie Mae, as the Guarantor, will have certain rights under the Trust Agreement, including consent rights in certain circumstances with respect to the Certificates.

Resignation and Removal of the Delaware Trustee and Co-Trustee

The Delaware Trustee may at any time resign and be discharged from the trusts created by the Trust Agreement by giving 30 days' prior written notice thereof to the Depositor, the Co-Trustee, the Seller and the Guarantor. Upon receiving notice of resignation, the Depositor will promptly appoint a successor Delaware Trustee (approved in writing by the Guarantor) by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Delaware Trustee and to the successor Delaware Trustee. If no successor Delaware Trustee has been so appointed and has accepted appointment within 30 days after the giving of such notice of resignation, the resigning Delaware Trustee may petition any court of competent jurisdiction for the appointment of a successor Delaware Trustee. If at any time the Delaware Trustee ceases to be eligible in accordance with the provisions of the Trust Agreement and fails to resign after written request therefor by the Depositor, or if at any time the Delaware Trustee is legally unable to act, or adjudged bankrupt or insolvent, or a receiver of the Delaware Trustee or of its property is appointed, or any public officer shall take charge or control of the Delaware Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Depositor may, or at the request of the Guarantor shall, remove the Delaware Trustee.

Any resignation or removal of the Delaware Trustee and appointment of a successor Delaware Trustee pursuant to any of the provisions of the Trust Agreement will not become effective until acceptance of appointment by the successor Delaware Trustee and approval in writing by the Guarantor pursuant to the Trust Agreement and payment of all fees and expenses owed to the outgoing Delaware Trustee.

The Co-Trustee may at any time resign and be discharged from the trusts created by the Trust Agreement by giving 30 days' prior written notice thereof to the Depositor, the Co-Trustee, the Seller and the Guarantor. Upon receiving notice of resignation, the Depositor will promptly appoint a successor Co-Trustee (approved in writing by the Guarantor) by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Co-Trustee and to the successor Co-Trustee. If no successor Co-Trustee has been so appointed and has accepted appointment within 30 days after the giving of such notice of resignation, the resigning Co-Trustee may petition any court of competent jurisdiction for the appointment of a successor Co-Trustee. If at any time the Co-Trustee ceases to be eligible in accordance with the provisions of the Trust Agreement and fails to resign after written request therefor by the Depositor, or if at any time the Co-Trustee is legally unable to act, or adjudged bankrupt or insolvent, or a receiver of the Co-Trustee or of its property is appointed, or any public officer shall take charge or control of the Co-Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Depositor may, or at the request of the Guarantor shall, remove the Co-Trustee. Any successor Co-Trustee must be a HUD approved Title II investing mortgagee.

Any resignation or removal of the Co-Trustee and appointment of a successor Co-Trustee pursuant to any of the provisions of the Trust Agreement will not become effective until acceptance of appointment by the successor Co-Trustee and approval in writing by the Guarantor pursuant to the Trust Agreement and payment of all fees and expenses owed to the outgoing Co-Trustee.

Limitation on Suits

No Certificateholder will have any right to institute any proceedings with respect to the Trust Agreement unless (1) Certificateholders representing more than 50% of the Certificate Principal Balance of the Certificates have offered to the Co-Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (2) for 60 days after its receipt of such notice, request and offer of indemnity the Co-Trustee has failed to institute any such proceedings; and (3) no direction inconsistent with such written request has been given to the Co-Trustee during such 60-day period by the Guarantor or the Certificateholders representing more than 50% of the Certificate Principal Balance of the Certificates.

Amendment of the Trust Agreement

The Trust Agreement may be amended from time to time by written agreement between the Depositor, the Seller, the Co-Trustee, the Delaware Trustee and the Guarantor, without notice to or the consent of any of the Certificateholders, (i) to cure any ambiguity or mistake, (ii) to cause the provisions in the Trust Agreement to conform to or be consistent with or in furtherance of the statements made with respect to the Certificates, the Trust Estate or the Trust Agreement in the Information Memorandum, or to correct or supplement any provision herein which may be inconsistent with any other provisions herein, (iii) to make any other provisions with respect to matters or questions arising under the Trust Agreement, (iv) to add, delete, or amend any provisions to the extent necessary or desirable to comply with any requirements imposed by the Code and the REMIC provisions or (v) if necessary in order to avoid a violation of any applicable law or regulation. No such amendment effected pursuant to the preceding sentence shall, as evidenced by an opinion of counsel, result in an adverse REMIC event, nor shall such amendment effected pursuant to clause (iii) of such sentence adversely affect in any material respect the interests of any Certificateholder. Prior to entering into any amendment without the consent of Holders as described in this paragraph, the Co-Trustee and the Delaware Trustee shall be provided with either (A) an officer's certificate of the Seller or (B) an opinion of counsel (at the expense of the party requesting such amendment) to the effect that (i) such amendment is permitted under the Trust Agreement, (ii) all conditions precedent for such amendment have been satisfied and (iii) with respect to an amendment described in clause (v) above, such amendment is necessary in order to avoid a violation of such applicable law.

The Trust Agreement may also be amended from time to time by the Depositor, the Seller, the Co-Trustee, the Delaware Trustee and the Guarantor, with the consent of the Holders of not less than 66-2/3% of the Certificate Principal Balance (or Percentage Interest) of each class of Certificates affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Trust Agreement or of modifying in any manner the rights of the holders of Certificates; provided, however,, that no such amendment shall be made unless the Co-Trustee and the Delaware Trustee receive an opinion of counsel, at the expense of the party requesting the change, that such change will not cause an adverse REMIC event; and provided further, that no such amendment may (i) reduce in any manner the amount of, or delay the timing of, payments received on Mortgage Loans which are required to be distributed on any Certificate, without the consent of the holder of such Certificate or (ii) reduce the aforesaid percentages of Certificate Principal Balance (or Percentage Interest) of Certificates of each class, the holders of which are required to consent to any such amendment without the consent of the holders of 100% of the Certificate Principal Balance (or Percentage Interest) of each class of Certificates affected thereby.

The "Percentage Interest" is (i), in the case of the Class A-I Certificates and Class A-II Certificates, , the percentage obtained by dividing the Certificate Principal Balance of such class of Certificates by the aggregate of the Certificate Principal Balances of all classes of such Certificates and (ii) in the case of the Class RV-I Certificates and Class RV-II Certificates, the percentage interest set forth on the face of such certificate.

In addition, pursuant to the Trust Agreement, the Certificateholders agree that, upon the Guarantor paying any Guaranteed Amount under the Fannie Mae Guaranty with respect to the Class A-I Certificates and Class RV-I

Certificates, or the Class A-II Certificates and Class RV-II Certificates, as applicable, and until such time as the Guarantor has been paid in full for all related Guaranteed Amounts, the Guarantor will be treated by the Co-Trustee, the Delaware Trustee and the Issuer as if the Guarantor were such Certificateholders for the purpose of the giving of any consent under the Trust Agreement or the Servicing Agreement, the making of any direction under the Trust Agreement or the Servicing Agreement or the exercise of any voting or other control rights otherwise given to such Certificateholders under the Trust Agreement or the Servicing Agreement without any further consent of such Certificateholders, and such Certificateholders, by acceptance of their respective Certificates, will be deemed to have agreed that they will not exercise any of such rights without the prior written consent of the Guarantor under such circumstances. However, if a Guarantor Event of Default should occur and be continuing, then (i) the previous sentence shall cease to apply until such Guarantor Event of Default is cured and (ii) any voting or other control rights otherwise granted to the Guarantor (had a Guarantor Event of Default not occurred) shall be given to the holders of the Certificates evidencing not less than 51% of the aggregate Certificate Principal Balance of Certificates, provided that such holders of the Certificates shall not amend the Trust Agreement in any manner or consent to any amendment of the Trust Agreement, in each case which could adversely affect the Guarantor without the prior written consent of the Guarantor.

THE SERVICING AGREEMENT

BACHLS will service the Mortgage Loans, and RMS will act as REO Manager, pursuant to a Servicing Agreement dated as of May 1, 2011 (the "Servicing Agreement") among the Seller, BACHLS, RMS, the Guarantor, the Co-Trustee and the Issuer.

Compensation of the Servicer and the REO Manager

The Servicer will be paid a monthly fee (the "Servicing Fee") for each Collection Period and each Mortgage Loan serviced by it in an amount equal to not more than $35. The Servicing Fees and other servicing compensation, together with certain amounts reimbursable to the Servicer under the Servicing Agreement, in most cases will be capitalized into the Stated Principal Balance of the related Mortgage Loan as a Scheduled Principal Advance. These amounts will be paid to the Servicer from collections or from the Collection Account, or will be reimbursed on a monthly basis as part of the Liquidity Amount paid by the holders of Class RV-I Certificates and Class RV-II Certificates.

For each REO Property sold, the REO Manager will be entitled to a management fee from the sales proceeds thereof. In addition, the REO Manager will be paid REO Manager Review Fees by the Co-Trustee from amounts remitted by the Guarantor and will be reimbursed by the Servicer for any REO Manager Advances and any management fees which were not paid or reimbursed from Loan Collections received by the REO Manager.

The Servicer will be entitled to receive REO Manager Reimbursement Amounts and Servicer Uncapitalized Servicing Advance Reimbursement Amounts as described in this Information Memorandum.

See "Description of the Certificates—Liquidity Amounts, REO Manager Reimbursement Amounts and Servicer Uncapitalized Servicing Advance Reimbursement Amounts".

Collections

The Servicer will be required to diligently attempt to collect amounts due under the Mortgage Loans serviced by it and, with respect to defaulted Mortgage Loans, to take such actions as are consistent with generally accepted servicing practices for collection of such amounts, as permitted by HUD. Such actions may include negotiating agreements with borrowers and initiating legal action, including (with the prior consent of HUD) foreclosure proceedings.

All Loan Collections received by the Servicer, net of any such amounts applied towards the payment of Principal Advances, will be deposited by the Servicer into the Collection Account within two Business Days of receipt as described in "Description of the Certificates—The Collection Account and the Certificate Account" in this Information Memorandum. All Loan Collections received by the REO Manager, net of amounts retained by the

REO Manager as its management fee or applied towards the payment of any REO Manager Advances, will be forwarded to the Servicer within two Business Days of receipt.

Servicing Advances

The Servicer will be required to advance its own funds to the extent necessary to enforce the rights of the Co-Trustee under each Mortgage Loan serviced by it and to preserve and protect the related mortgaged property, and the REO Manager will be required to advance its own funds to the extent necessary to preserve and protect any REO Property in accordance with the Servicing Agreement. In addition, the Servicer will, if necessary and to the extent permitted by HUD, collect amounts due under a Mortgage Loan serviced by it, initiate enforcement or judicial proceedings, including foreclosure, and may retain legal counsel. All customary, reasonable and necessary out of pocket costs and expenses (including reasonable attorneys' fees and disbursements) incurred in the performance by the Servicer or the REO Manager, as applicable, of its servicing obligations, including, but not limited to, costs and expenses related to (a) the preservation, restoration and protection of the Mortgaged Property, (b) any enforcement or judicial proceedings, including foreclosures, (c) the management and liquidation of any REO Property, (d) taxes, assessments, water rates, sewer rents and other charges which are or may become a lien upon the Mortgaged Property, and fire and hazard insurance coverage, (e) physical inspection of the Mortgaged Property in accordance with applicable FHA regulations, (f) compliance with the obligations under the Servicing Agreement in connection with maintaining insurance and paying taxes on the related mortgaged property, and (g) other amounts incurred by the Servicer and the REO Manager which can be charged to the borrower shall constitute "Servicing Advances" if made by the Servicer or "REO Manager Advances" if made by the REO Manager. Servicing Advances which are capitalized into the Stated Principal Balance of the related Mortgage Loan ("Capitalized Servicing Advances") will be treated as Principal Advances. Generally, all Servicing Advances incurred by the Servicer prior to the Foreclosure Sale Date will be treated as Capitalized Servicing Advances.

Any successor Servicer under the Servicing Agreement will be required to assume the predecessor Servicer's obligation to make Servicing Advances required under the terms of the Mortgage Loans serviced by it and of the Servicing Agreement.

Principal Advances

Any successor Servicer under the Servicing Agreement will be required to assume the predecessor Servicer's obligation to make Principal Advances required under the terms of the Mortgage Loans serviced by it and by the Servicing Agreement.

Collection of Taxes, Assessments and Similar Items

The Servicer will not maintain escrow accounts for the collection of hazard insurance premiums and real estate taxes with respect to the Mortgage Loans. The Servicer will be required to monitor the payment of such items by the related borrowers and take such steps as are necessary to ensure that insurance premiums and taxes are paid, including, if necessary, making Servicing Advances with respect to delinquencies in insurance or tax payments. *See "The Servicer" in this Information Memorandum.*

Servicer Events of Default

As provided in the Servicing Agreement, the Servicer may be removed as the servicer of the Mortgage Loans if any one of the following events occurs (each, a "Servicer Event of Default"):

(i) any failure by the Servicer to remit to the Co-Trustee any payment required to be made under the terms of the Servicing Agreement which continues unremedied for a period of one (1) business day after the earlier to occur of (a) the date upon which written notice of such failure, requiring the same to be remedied, has been given to the Servicer by the Co-Trustee or the Guarantor or (b) the Servicer first becomes aware of such failure; or

(ii) failure by the Servicer duly to observe or perform in any material respect any other of the covenants or agreements on the part of the Servicer set forth in the Servicing Agreement or any other transaction document to which it is a party, including but not limited to breach by the Servicer of any one or more of the representations, warranties and covenants of such Servicer as set forth in the Servicing Agreement which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, has been given to such Servicer by the Co-Trustee or the Guarantor; or

(iii) failure by the Servicer to maintain its license to do business in any jurisdiction where any mortgaged property is located if such license is required; or

(iv) a decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, including bankruptcy, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, has been entered against the Servicer and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days; or

(v) the Servicer consents to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to the Servicer or of or relating to all or substantially all of its assets; or

(vi) the Servicer admits in writing its inability to pay its debts generally as they become due, files a petition to take advantage of any applicable insolvency, bankruptcy or reorganization statute, makes an assignment for the benefit of its creditors, voluntarily suspends payment of its obligations or ceases its normal business operations for three (3) business days; or

(vii) the Servicer ceases to meet the servicer eligibility qualifications of HUD or Fannie Mae; or

(viii) the Servicer attempts to assign its right to servicing compensation under the Servicing Agreement or to assign the Servicing Agreement or the servicing responsibilities thereunder or to delegate its duties thereunder or any portion thereof in violation of the provisions of the Servicing Agreement;

provided that the occurrence of any of the foregoing as a result of the action or inaction of the REO Manager will not constitute a Servicer Event of Default.

Rights Upon a Servicer Event of Default; Waiver of a Servicer Event of Default

So long as a Servicer Event of Default with respect to the Servicer has not been remedied, in addition to whatever rights the Issuer may have at law or equity to damages, including injunctive relief and specific performance, the Co-Trustee, by notice in writing to the Servicer (with a copy to the Guarantor), may, and at the direction of the Guarantor or Certificateholders representing more than 50% of the Certificate Principal Balance of the Certificates will, terminate all the rights and obligations of the Servicer under the Servicing Agreement and in and to the Mortgage Loans and the proceeds thereof. In the event of the removal of the Servicer, a successor servicer that meets the eligibility requirements for a successor servicer under the Servicing Agreement will be appointed by the Co-Trustee with the prior written consent of the Guarantor.

The Guarantor or the holder or holders of in excess of 50% of the Certificate Principal Balance of the Certificates (the "Majority Certificateholders") may, on behalf of all Certificateholders, waive any default or Servicer Event of Default by the Servicer in the performance of its obligations under the Servicing Agreement, except that any Servicer Event of Default in the making of any required deposit to the Certificate Account that would result in a failure of the Co-Trustee to make any required distribution of principal of or interest on the Certificates may only be waived with the consent of 100% of the Certificateholders and the Guarantor. Upon any such waiver of a past Servicer Event of Default, such Servicer Event of Default shall cease to exist, and any Servicer Event of Default arising therefrom shall be deemed to have been remedied for every purpose. No such waiver will extend to any subsequent or other Servicer Event of Default or impair any right consequent thereon except to the extent expressly so waived.

Rights and Obligations of the REO Manager; Termination of the REO Manager

The REO Manager shall be responsible for managing any REO Property as provided in the Servicing Agreement. The REO Manager may be terminated for failure to perform its obligations under the Servicing Agreement by the Servicer or the Guarantor, provided that such failure by the REO Manager due to the action or inaction of the Servicer will not constitute a default on the part of the REO Manager. Upon such termination, the Guarantor shall have the right to appoint a successor within 90 days, or such other time period as may be mutually agreed between the parties. If a successor is not so appointed by the Guarantor, the Servicer may appoint a successor approved by the Guarantor.

The Guarantor may at any time, without cause and in its sole discretion, terminate the REO Manager and appoint a successor REO manager to manage and operate any REO Property in accordance with the terms of the Servicing Agreement upon 90 days written notice to the REO Manager of its intention to appoint a successor REO manager to take over the management of the REO Property in accordance with the Servicing Agreement.

Amendment of the Servicing Agreement; Transfer of Servicing

The Servicing Agreement may be amended by the parties thereto subject to the same restrictions on amendment as set forth in the Trust Agreement.

Neither the Servicer nor the REO Manager will be permitted to assign the Servicing Agreement or the respective servicing thereunder or delegate their respective rights or duties thereunder or any portion thereof without the prior written consent of the Guarantor.

Insurance Coverage

The Servicer is required to obtain and thereafter maintain in effect a bond, corporate guaranty or similar form of insurance coverage (which may provide blanket coverage), or any combination thereof, insuring against loss occasioned by the errors and omissions of its officers and employees.

Evidence as to Compliance

The Servicing Agreement will provide that each year, each of the Servicer and the REO Manager will engage a firm of independent accountants to furnish a statement relating to the Servicer or REO Manager, as applicable, to the Guarantor and the Co-Trustee on behalf of the Issuer to the effect that such firm has examined certain documents and records relating to the general servicing activities of the Servicer or the management activities of the REO Manager, as applicable, and that, on the basis of such examination, such firm is of the opinion that the servicing of the Mortgage Loans or management of REO Properties, as applicable, has been conducted in accordance with the applicable industry standard, except for such exceptions as are set forth in the respective statement.

DESCRIPTION OF THE CERTIFICATES

General

On the Closing Date, the Issuer will issue the Class A-I, Class A-II, Class RV-I and Class RV-II Certificates (collectively, the “Certificates”) pursuant to a Trust Agreement (the “Trust Agreement”), dated as of May 1, 2011, by and among the Delaware Trustee, the Guarantor, the Seller, the Co-Trustee and the Depositor. The Co-Trustee will act as paying agent, registrar and transfer agent with respect to the Certificates, and will perform certain reporting and other administrative functions on behalf of the Issuer.

The Class A-I Certificates and Class A-II Certificates will be issued in book-entry form in minimum denominations of $100,000 and in increments of $1 in excess thereof, and will be registered in the name of Cede & Co. as nominee of the Depository Trust Company (“DTC”). The Class RV-I Certificates and Class RV-II Certificates will each be issued in a single certificate constituting a 100% percentage interest, in fully registered certificated form. The Certificates may be transferred or exchanged without the payment of any service charge other than any tax or governmental charge payable in connection therewith.

Payments on the Certificates will be made by the Co-Trustee on each Distribution Date to persons ("Certificateholders") in whose names the Certificates are registered on the related Record Date. Payments to each Certificateholder will be made by wire transfer in immediately available funds to an account specified in the request of each such Certificateholder. The final payment in retirement of a Certificate will be made only upon surrender of the Certificate to the Co-Trustee at the applicable corporate trust office. Notice will be mailed prior to the Distribution Date on which the final payment on a Certificate is expected to be made to the holder thereof.

The Certificates may only be held by a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act ("Qualified Institutional Buyer"), purchasing for their own account or one or more accounts with respect to which they exercise sole investment discretion, each of which is a Qualified Institutional Buyer, in transactions exempt from the registration requirements of the Securities Act. The Certificates are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act in accordance with Rule 144A and in accordance with the other restrictions on transfer set forth in the Trust Agreement. The Trust Agreement will provide that no transfer of any Certificate will be registered by the Co-Trustee unless certain required certifications are provided to the Co-Trustee, at the expense of the transferor and transferee, with respect to their compliance with the foregoing restrictions. Investors transferring interests in the Book-Entry Certificates will be deemed to have made such certifications.

Book-Entry Registration of the Certificates

The Certificates acquired in book-entry format (the "Book-Entry Certificates") will be represented initially by one or more global notes (the "Global Notes") which will be deposited with DTC and its Participants.

The Book-Entry Certificates will be represented by one or more certificates registered in the name of the nominee of DTC. The Depositor has been informed by DTC that DTC's nominee will be Cede & Co. No person acquiring an interest in a Book-Entry Certificate (each, a "Beneficial Owner") will be entitled to receive a certificate representing such person's interest (a "Definitive Certificate"). Unless and until Definitive Certificates are issued for the Book-Entry Certificates under the limited circumstances described herein, all references to actions by Certificateholders with respect to the Book-Entry Certificates will refer to actions taken by DTC upon instructions from its Participants (as defined below), and all references herein to payments, notices, reports and statements to Certificateholders with respect to the Book-Entry Certificates will refer to payments, notices, reports and statements to DTC or Cede & Co., as the registered holder of the Book-Entry Certificates, for payment to Beneficial Owners by DTC in accordance with DTC procedures. Beneficial Owners will not be Certificateholders as such term is used in the Trust Agreement and will only be permitted to exercise their rights indirectly through Participants and DTC.

General. Beneficial Owners of Book-Entry Certificates will hold their Certificates through DTC in the United States, Clearstream Banking Luxembourg ("Clearstream Luxembourg") or the Euroclear System ("Euroclear") in Europe if they are participants of such systems, or indirectly through organizations that are participants in such systems. The Book-Entry Certificates will be issued in one or more or certificates that equal the initial Certificate Principal Balance or Percentage Interest of the Certificates and will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Luxembourg's and Euroclear's names on the books of their respective depositaries, which in turn will hold such positions in customers' securities accounts in the depositaries, names on the books of DTC. Citibank, N.A. will act as depositary for Clearstream Luxembourg and JPMorgan Chase Bank, N.A. generally, but not exclusively, will act as depositary for Euroclear (in such capacities, individually, the "Relevant Depositary" and, collectively, the "European Depositaries").

The Beneficial Owner's interest in a Book-Entry Certificate will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "Financial Intermediary") that maintains the Beneficial Owner's account for such purpose. In turn, the Financial Intermediary's ownership of such Book-Entry Certificate will be recorded on the records of DTC (or of a participating firm (a "Participant") that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the

Beneficial Owner's Financial Intermediary is not a Participant, and on the records of Clearstream Luxembourg or Euroclear, as appropriate).

Beneficial Owners will receive all payments on the related Certificates from the Co-Trustee through DTC and Participants. While the Certificates are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Certificates and is required to receive and transmit payments on the Certificates. DTC Participants and indirect participants with whom Beneficial Owners have accounts with respect to Certificates are similarly required to make book-entry transfers and receive and transmit such payments on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners will not possess notes, the Rules provide a mechanism by which Beneficial Owners will receive payments and will be able to transfer their interest.

Beneficial Owners will not receive or be entitled to receive Definitive Certificates representing their respective interests in the Certificates, except under the limited circumstances described below. Unless and until Definitive Certificates are issued, Beneficial Owners who are not Participants may transfer ownership of Certificates only through Participants and indirect participants by instructing such Participants and indirect participants to transfer Certificates, by book-entry transfer, through DTC for the account of the purchasers of such Certificates, which account is maintained with their respective Participants. Under the Rules and in accordance with DTC's normal procedures, transfer of ownership of Book-Entry Certificates will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and indirect participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Beneficial Owners.

Because of time zone differences, credits of securities received in Clearstream Luxembourg or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream Luxembourg Participants on such business day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of securities by or through a Clearstream Luxembourg Participant (as defined below) or Euroclear Participant (as defined below) to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. For information with respect to tax documentation procedures relating to the Certificates, see "Global Clearance, Settlement and Tax Documentation Procedures—Certain U.S. Federal Income Tax Documentation Requirements" in Annex I hereto.

Transfers between DTC Participants will occur in accordance with DTC Rules. Transfers between Clearstream Luxembourg Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Luxembourg Participants or Euroclear Participants, on the other, will be effected in DTC in accordance with the DTC rules on behalf of the relevant European international clearing system by the Relevant Depositary; however, such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the Relevant Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Luxembourg Participants and Euroclear Participants may not deliver instructions directly to the European Depositaries.

DTC, which is a New York-chartered limited purpose trust company, performs services for Participants, some of which (and/or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each Participant in the Book-Entry Certificates, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Certificates will be subject to the rules, regulations and procedures governing DTC and Participants as in effect from time to time.

Clearstream Luxembourg is a duly licensed bank organized as a limited liability company (a société anonyme) incorporated under the laws of Grand Duchy of Luxembourg as a professional depository. Clearstream Luxembourg holds securities for its participating organizations ("Clearstream Luxembourg Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Luxembourg Participants through electronic book-entry changes in accounts of Clearstream Luxembourg Participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in Clearstream Luxembourg in any of various currencies, including United States dollars.

Clearstream Luxembourg provides to its Clearstream Luxembourg Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Luxembourg Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Luxembourg Participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for its participants ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of various currencies, including United States dollars. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Bank has advised us that it is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian bank, it is regulated and examined by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Payments on the Book-Entry Certificates will be made on each Distribution Date by the Co-Trustee to DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable Participants in accordance with DTC's normal procedures. Each Participant will be responsible for disbursing such payment to the Beneficial Owners of the Book-Entry Certificates that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the Beneficial Owners of the Book-Entry Certificates that it represents.

Under a book-entry format, Beneficial Owners of the Book-Entry Certificates may experience some delay in their receipt of payments, since such payments will be forwarded by the Co-Trustee to Cede & Co. Payments with respect to Notes held through Clearstream Luxembourg or Euroclear will be credited to the cash accounts of Clearstream Luxembourg Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the Relevant Depositary. Such payments will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See "Certain Material Federal Income Tax Consequences" in this Information Memorandum. Because DTC can only act on behalf of Financial Intermediaries, the ability of a Beneficial Owner to pledge Book-Entry Certificates to persons or entities that do not participate in the depository system, or otherwise take actions in respect of such Book-Entry Certificates, may be limited due to the lack of physical certificates for such Book-Entry Certificates. In addition, issuance of the Book-Entry Certificates in book-entry form may reduce the liquidity of the Certificates in the secondary market since certain potential investors may be unwilling to purchase Certificates for which they cannot obtain physical certificates.

Monthly and annual reports will be provided to Cede & Co., as nominee of DTC, and may be made available by Cede & Co. to Beneficial Owners upon request, in accordance with the rules, regulations and procedures creating and affecting the depository, and to the Financial Intermediaries to whose DTC accounts the Book-Entry Certificates of such Beneficial Owners are credited.

DTC has advised the Depositor and the Co-Trustee that, unless and until Definitive Certificates are issued for the Book-Entry Certificates, DTC will take any action permitted to be taken by the holders of the Book-Entry Certificates under the Trust Agreement only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Certificates are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Certificates. Clearstream Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Certificateholder under the Trust Agreement on behalf of a Clearstream Luxembourg Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to the ability of the Relevant Depositary to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related DTC Participants, with respect to some Book-Entry Certificates which conflict with actions taken with respect to other Certificates.

Although DTC, Clearstream Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Certificates among Participants, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Depositor, the Delaware Trustee or the Co-Trustee or any of their respective affiliates will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Certificates held by Cede & Co., as nominee for DTC, or for maintaining, supervising, reviewing or monitoring any records relating to such beneficial ownership interests or any transfer thereof.

Glossary

"Accrual Period": With respect to each Distribution Date and the Certificates, the calendar month immediately preceding the related Distribution Date. Interest will be calculated based on a 360-day year consisting of twelve 30-day months.

"Accrued Certificate Interest": With respect to any Accrual Period and the Certificates, the aggregate amount of interest accrued during the related Accrual Period at the related Certificate Interest Rate on the Certificate Principal Balance thereof as of the first day of such Accrual Period, less any prepayment interest shortfalls allocable to such Certificate, if any. The amount of prepayment interest shortfalls will be determined separately with respect to each Loan Group and will be allocated on each Distribution Date first, to the Class RV-I Certificates or Class RV-II Certificates, as applicable, until the amount of Accrued Certificate Interest for such class and such Distribution Date has been reduced to zero, and then to the Class A-I Certificates or Class A-II Certificates, as applicable; provided, however, that any such shortfalls allocated to the Class A-I Certificates or Class A-II Certificates will then be paid by the Guarantor pursuant to the Fannie Mae Guaranty.

“Administrative Fee Rate”: For each Distribution Date, the sum of the Co-Trustee Fee Rate and the Credit Risk Manager Fee Rate.

“Available Distribution Amount”: With respect to any Distribution Date as determined separately for each Loan Group, the sum of (i) the aggregate Loan Collections on the Mortgage Loans in the related Loan Group during the related Collection Period (to the extent not applied toward Principal Advances made by the Servicer during such Collection Period), (ii) any Group I Seller Funded Expenses or Group II Seller Funded Expenses, as applicable, for such Distribution Date, (iii) any Guaranteed Amount with respect to such Loan Group and (iv) the portion (if any) of the related Liquidity Amount not used to reimburse the Servicer on the preceding Liquidity Amount and Reimbursement Amount Distribution Date, less any Post-Payment Proceeds received for the related Collection Period with respect to the Mortgage Loans in the related Loan Group.

“Certificate Interest Rate”: With respect to each class of Certificates and each Distribution Date, the weighted average of the Net Mortgage Rates on the related Mortgage Loans, weighted on the basis of the Stated Principal Balances thereof as of the beginning of the related Collection Period.

“Certificate Principal Balance”: With respect to the Class A-I Certificates and the Class A-II Certificates and any date of determination, the original Certificate Principal Balance of such Certificates, plus any Negative Amortization Balance Increase with respect to such Certificates, less the sum of (i) all principal distributions previously made with respect to such Certificates and (ii) all Realized Losses (if any) previously allocated to such Certificates. The Class A-I Certificates and Class A-II Certificates will be issued with an original Certificate Principal Balance of approximately $8,755,528,440 and $468,283,173, respectively. With respect to the Class RV-I Certificates and Class RV-II Certificates and any date of determination, the original Certificate Principal Balance of such Certificates, plus the sum of (i) any related Liquidity Amounts made by the holder of such Certificates on or prior to such date of determination, (ii) any Excess Draw Interest with respect to any Mortgage Loan which had a draw during the related Collection Period and (iii) any Negative Amortization Balance Increase with respect to such Certificates, less the sum of (i) all principal distributions previously made with respect to such Certificates and (ii) all Realized Losses (if any) previously allocated to such Certificates. The Class RV-I Certificates and Class RV-II Certificates will each be issued with an original Certificate Principal Balance of approximately $30,000,000 and $2,000,000, respectively.

“Collection Period”: The calendar month immediately preceding the month in which the related Distribution Date occurs.

“Co-Trustee Fee”: With respect to each Distribution Date and each Loan Group, an amount equal to the product of (i) one-twelfth of the Co-Trustee Fee Rate and (ii) the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group as of the beginning of the related Collection Period.

“Co-Trustee Fee Rate”: 0.00085% per annum.

“Credit Risk Manager Fee”: With respect to each Distribution Date and each Loan Group, an amount equal to the product of (i) one-twelfth of the Credit Risk Manager Fee Rate and (ii) the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group as of the beginning of the related Collection Period.

“Credit Risk Manager Fee Rate”: 0.0030% per annum.

“Custodial Fees”: With respect to each Distribution Date, the aggregate fees of the Custodians under the Custodial Agreements paid during the related Collection Period.

“Distribution Date”: The 25^{th} day of each month or, if such day is not a business day, the next business day thereafter, commencing in June 2011.

“Eligible Account”: Either (i) an account or accounts maintained with a federal or state chartered depository institution or trust company the short-term unsecured debt obligations of which (or, in the case of a depository institution or trust company that is the principal subsidiary of a holding company, the debt obligations of such holding company) have a short-term rating of A-1 by S&P (or A+ if a short-term rating is not available) at the time any amounts are held on deposit therein; provided, that, following a downgrade, withdrawal, or suspension of such institution's rating below A-1 (or below A+ if a short-term rating is not available) by S&P, each account shall promptly (and in any case within not more than 30 calendar days) be moved to a qualifying institution or to one or more corporate trust accounts in the trust department of such institution, if permitted or (ii) a corporate trust account or accounts maintained with the Co-Trustee or any other federal or state chartered depository institution or trust company, acting in its fiduciary capacity, in a manner acceptable to the Co-Trustee and the Guarantor. Eligible Accounts may bear interest.

"Excess Draw Interest": With respect to any Collection Period and any Principal Advance on a Mortgage Loan, an amount equal to interest accrued on the amount of such draw from the date of such Principal Advance to the end of the calendar month.

"Expense Fee Margin": With respect to any Mortgage Loan and each Distribution Date, a fraction, expressed as a per annum rate, the numerator of which is equal to (A) the product of (i) 12 and (ii) the sum of the Custodial Fees and Extraordinary Trust Expenses (subject to the related Extraordinary Trust Expense Cap) payable by the Trust on such Distribution Date in respect of the related Loan Group, and the denominator of which is (B) the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group as of the beginning of the related Collection Period.

"Extraordinary Trust Expense Cap": With respect to any calendar year and the Group I Loans and the Group II Loans, $225,000 and $25,000, respectively; provided, however, the Extraordinary Trust Expense Cap for the Group I Loans and Group II Loans will increase to $675,000 and $75,000, respectively, upon the occurrence of a Servicer Event of Default as described under "The Servicing Agreement—Servicer Events of Default".

"Extraordinary Trust Expenses": For each Distribution Date, to the extent not previously reimbursed, certain expenses and indemnification amounts to which any of the Delaware Trustee, the Credit Risk Manager, the Co-Trustee and/or the Custodians are entitled to receive pursuant to the terms of the transaction documents.

"Final Scheduled Distribution Date": The Distribution Date occurring in June 2061.

"Guaranty Fee": With respect to each Distribution Date and each Loan Group, an amount equal to the product of (i) one-twelfth of the Guaranty Fee Rate and (ii) the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group as of the beginning of the related Collection Period; provided that if a Guarantor Event of Default pursuant to clause (a) of the definition thereof has occurred in respect of such Loan Group and has not been cured as of such Distribution Date, the Guaranty Fee will be $0 for such Distribution Date.

"Guaranty Fee Rate": The per annum rate set forth in the Trust Agreement.

"Loan Collections": With respect to any Distribution Date and each Loan Group, an amount equal to the sum of (a) the aggregate amount of payments received by the Servicer during the related Collection Period in respect of the Mortgage Loans in such Loan Group, including, but not limited to, principal prepayments, insurance proceeds, liquidation proceeds and condemnation proceeds, (b) all payments received in respect of Mortgage Loans in such Loan Group assigned to HUD during the related Collection Period, (c) any amounts received in respect of the Repurchase Price for any repurchased Mortgage Loans in such Loan Group by the Seller during the related Collection Period and (d) any other amounts as required by the Servicing Agreement.

"Negative Amortization Balance Increase": With respect to each class of Certificates and any Distribution Date, an amount, to be added to the Certificate Principal Balance of such Certificates following each Distribution Date, equal to the excess, if any, of (x) Accrued Certificate Interest for such Certificate with respect to such Distribution Date, over (y) interest paid on such Certificate on such Distribution Date.

"Net Mortgage Rate": With respect to each Mortgage Loan, the Mortgage Rate thereon, less the sum of (i) the Administrative Fee Rate, (ii) the Guaranty Fee Rate and (iii) the related Expense Fee Margin.

"Post-Payment Proceeds": With respect to each Mortgage Loan for which the Guarantor has paid a Guaranteed Amount equal to the Stated Principal Balance of the related Mortgage Loan in connection with a Foreclosure Sale Date, prior to any Foreclosure Sale Date if such Mortgage Loan has been liquidated for less than the Stated Principal Balance thereof, or with respect to any Assigned Mortgage Loan, all amounts subsequently received with respect to such Mortgage Loan, including any FHA insurance proceeds and related debenture interest.

"Principal Advances": As defined under "The Mortgage Pool—Principal Advances under the Mortgage Loans" above.

"Realized Loss": With respect to each Mortgage Loan which is liquidated (either prior to the Foreclosure Sale Date or as an REO property) or is an Assigned Mortgage Loan, and for which no payment is made by the Guarantor with respect to the Fannie Mae Guaranty, the amount, if any by which the Stated Principal Balance of such Mortgage Loan exceeds the sum of (i) the proceeds from the sale or liquidation of the related property, plus (ii) the claim proceeds paid by the FHA.

"Record Date": With respect to the Certificates, the last business day of the calendar month preceding a Distribution Date.

"REO Manager Reimbursement Amount": With respect to each Liquidity Amount and Reimbursement Amount Distribution Date, the aggregate of all REO Manager Advances and all management fees incurred by the REO Manager during the prior Collection Period, and not paid or reimbursed from Loan Collections received by the REO Manager, in accordance with the Servicing Agreement.

"REO Manager Review Fees": With respect to each Liquidity Amount and Reimbursement Amount Distribution Date, the aggregate of all HUD claim review fees incurred by the REO Manager during the prior Collection Period.

"Servicer Uncapitalized Servicing Advance Reimbursement Amount": With respect to each Liquidity Amount and Reimbursement Amount Distribution Date, the aggregate amount of uncapitalized Servicing Advances during the prior Collection Period.

"Servicing Advances": As defined under "The Servicing Agreement—Servicing Advances."

"Stated Principal Balance": With respect to each Mortgage Loan (including any related REO Property), the principal balance of such Mortgage Loan as of the Cut-off Date as stated in the mortgage loan schedule, plus the sum of (i) the aggregate amount of Principal Advances made by the Servicer with respect to such Mortgage Loan, and (ii) interest accrued on such Mortgage Loan at the related Mortgage Rate, less all amounts in respect of principal previously paid by the related borrower or by HUD with respect to such Mortgage Loan. Notwithstanding the foregoing, if with respect to any Mortgage Loan the Guarantor makes a payment of an amount equal to the Stated Principal Balance of the related Mortgage Loan in connection with a Foreclosure Sale Date as part of its related Guaranteed Amount, prior to any Foreclosure Sale Date if such Mortgage Loan has been liquidated for less than the Stated Principal Balance thereof, or with respect to any Assigned Mortgage Loan, the Stated Principal Balance of such Mortgage Loan thereafter shall be equal to zero. The Servicer shall be responsible for calculating the Stated Principal Balance of each Mortgage Loan.

Seller Funded Expenses

The Seller shall pay the Custodians, the Co-Trustee and the Credit Risk Manager their respective Custodial Fees, the Co-Trustee Fee and the Credit Risk Manager Fee, respectively, and Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) of the Delaware Trustee, the Custodians, the Co-Trustee and the Credit Risk Manager to the extent that amounts available pursuant to clauses (i) and (iv) of the definition of Available Distribution Amount for either Loan Group is insufficient to pay such amounts as provided in clause (i) for each Loan Group under "—Priority of Distributions" below. To the extent such amounts are paid with respect to such fees and Extraordinary Trust Expenses with respect to the Group I Loans and Group II Loans, respectively, such amounts shall constitute "Group I Seller Funded Expenses" and "Group II Seller Funded Expenses", respectively, (together, the "Seller Funded Expenses") and shall be reimbursed as provided in clause (iii) for each Loan Group under "—Priority of Distributions" below.

Priority of Distributions

On the Monthly Remittance Date, the Servicer will remit the Loan Collections received from the Mortgage Loans in each Loan Group during the related Collection Period (to the extent not applied toward Principal Advances made by the Servicer during such Collection Period) to the Co-Trustee. The Co-Trustee shall pay any amounts representing Post-Payment Proceeds to the Guarantor. Any remaining amounts, together with any Guaranteed Amounts paid by the Guarantor to the Co-Trustee, any Seller Funded Expenses paid by the Seller to the Co-Trustee, and the portion of the Liquidity Amount not used to reimburse the Servicer for Principal Advances, will constitute the Available Distribution Amount for the related Distribution Date. Distributions from the Available Distribution Amount will be made in the following order of priority (the "Priority of Distribution"); provided that amounts in respect of any Guaranteed Amount shall be payable solely to the applicable Certificates and amounts in respect of Seller Funded Expenses shall be payable solely pursuant to clause (i) of each Priority of Distribution below:

From the Available Distribution Amount in respect of the Group I Loans:

(i) *pro rata*, based on amounts due, to the Custodians, the Co-Trustee and the Credit Risk Manager, their respective Custodial Fees, the Co-Trustee Fee and the Credit Risk Manager Fee, respectively, for such Distribution Date, and to such parties and the Delaware Trustee, any Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) for such Distribution Date, plus any such fees and Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) unpaid from prior Distribution Dates, in each case in respect of the Group I Loans;

(ii) to the Guarantor, the Guaranty Fee with respect to Group I Loans and any unpaid Guaranty Fees with respect to Group I Loans from prior Distribution Dates;

(iii) to the Seller, in reimbursement for any Group I Seller Funded Expenses, to the extent not previously paid;

(iv) to the holders of the Class A-I Certificates and Class RV-I Certificates, *pro rata*, based on the amounts due, the Accrued Certificate Interest for such Certificates for such Distribution Date;

(v) to the holders of the Class A-I Certificates and Class RV-I Certificates, *pro rata*, based on the Certificate Principal Balances thereof immediately prior to such Distribution Date, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero;

(vi) to the Guarantor, in reimbursement for any Guaranteed Amounts paid with respect to the Group I Loans, to the extent not previously paid;

(vii) to the Delaware Trustee, the Custodians, the Co-Trustee and the Credit Risk Manager, in an amount equal to any Extraordinary Trust Expenses not paid pursuant to clause (i) above as a result of the imposition of the Extraordinary Trust Expense Cap, in each case in respect of the Group I Loans; and

(viii) all remaining amounts to the holders of the Class RV-I Certificates, as set forth in the Trust Agreement.

From the Available Distribution Amount in respect of the Group II Loans:

(i) *pro rata*, based on amounts due, to the Custodians, the Co-Trustee and the Credit Risk Manager, their respective Custodial Fees, the Co-Trustee Fee and the Credit Risk Manager Fee, respectively, for such Distribution Date, and to such parties and the Delaware Trustee, any Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) for such Distribution Date, plus any such fees and Extraordinary Trust Expenses (up to the related Extraordinary Trust Expense Cap) unpaid from prior Distribution Dates, in each case in respect of the Group II Loans;

(ii) to the Guarantor, the Guaranty Fee with respect to Group II Loans and any unpaid Guaranty Fees with respect to Group II Loans from prior Distribution Dates;

(iii) to the Seller, in reimbursement for any Group II Seller Funded Expenses, to the extent not previously paid;

(iv) to the holders of the Class A-II Certificates and Class RV-II Certificates, *pro rata*, based on amounts owing, the Accrued Certificate Interest for such Certificates for such Distribution Date;

(v) to the holders of the Class A-II Certificates and Class RV-II Certificates, *pro rata*, based on the Certificate Principal Balances thereof immediately prior to such Distribution Date, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero;

(vi) to the Guarantor, in reimbursement for any Guaranteed Amounts paid with respect to the Group II Loans, to the extent not previously paid;

(vii) to the Delaware Trustee, the Custodians, the Co-Trustee and the Credit Risk Manager, in an amount equal to any Extraordinary Trust Expenses not paid pursuant to clause (i) above as a result of the imposition of the Extraordinary Trust Expense Cap, in each case in respect of the Group II Loans; and

(viii) all remaining amounts to the holders of the Class RV-II Certificates, as set forth in the Trust Agreement.

The Fannie Mae Guaranty

Fannie Mae, in consideration of the payment of the Guaranty Fee, on the business day prior to each Distribution Date will pay, in accordance with the Fannie Mae Guaranty, an amount equal to the sum of the following, without duplication (the "Guaranteed Amount"): (1) following each Foreclosure Sale Date which occurs during the related Collection Period, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, (2) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Foreclosure Sale Date and during the related Collection Period, the Stated Principal Balance of the related Mortgage Loan immediately prior to the time of such liquidation, (3) with respect to each Assigned Mortgage Loan for which the related FHA insurance proceeds were received during the related Collection Period, the Stated Principal Balance thereof at the time of receipt of the related FHA insurance proceeds, and (4) with respect to the Class A-I Certificates and Class A-II Certificates only, the aggregate amount of prepayment interest shortfalls allocated to such Certificates. On the business day prior to each applicable Distribution Date, Fannie Mae will remit the Guaranteed Amount, if any, for such Distribution Date to the Co-Trustee for distribution to the related Certificates. The Guaranteed Amount will not cover prepayment interest shortfalls with respect to the Class RV-I Certificates and Class RV-II Certificates.

Guarantor Events of Default; Realized Losses

Each of the following events will constitute a "Guarantor Event of Default":

(a) any failure by the Guarantor to make payments under the Fannie Mae Guaranty, which continues uncured for a period of fifteen days after receipt by the Guarantor and the Co-Trustee of written notice from Certificateholders representing at least 5% of the outstanding Certificate Principal Balance of the Certificates of the failure and a demand that it be cured;

(b) any failure by the Guarantor to perform in any material respect any other covenant made by the Guarantor in the operative agreements that continues unremedied for a period of 60 days after receipt by the

Guarantor of written notice from Certificateholders representing at least 25% of the outstanding Certificate Principal Balance of the Certificates of such failure and a demand that it be cured;

(c) a decree or order of a court, agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, has been entered against the Guarantor and such decree or order has remained in force undischarged or unstayed for a period of 60 days;

(d) the Guarantor consents to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings relating to the Guarantor or to all or substantially all of its property; or

(e) the Guarantor admits in writing its inability to pay its debts generally as they become due, files a petition to invoke any applicable insolvency or reorganization statute, makes an assignment for the benefit of its creditors or voluntarily suspends payment of its obligations.

If there is a Guarantor Event of Default as a result of the Guarantor's failure to pay, then the Guarantor will not receive the Guaranty Fee until such event is cured. During all Guarantor Events of Default, the Guarantor will not have any consent and voting rights until such default is cured and 51% of the Certificateholders will exercise such voting rights during such time; provided that transaction documents cannot be amended without the Guarantor's consent if such amendment could adversely impact the Guarantor.

In the event of a failure of the Guarantor to make payments under the Fannie Mae Guaranty, Realized Losses may occur. Realized Losses on the Group I Loans will be allocated to the Class A-I Certificates and Class RV-I Certificates, *pro rata*, based on the Certificate Principal Balances thereof immediately prior to such Distribution Date, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero. Realized Losses will be allocated to the Class A-II Certificates and Class RV-II Certificates, *pro rata*, based on the Certificate Principal Balances thereof immediately prior to such Distribution Date, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero.

The determination of the amount of a Realized Loss shall be made by the Servicer after the Servicer believes that all expected amounts with respect to the related Mortgage Loan have been received.

The Collection Account and the Certificate Account

All collections with respect to the Mortgage Loans received by the Servicer, including any collections remitted by the REO Manager, shall be deposited into the Collection Account within two business days of receipt thereof as provided in the Servicing Agreement, net of amounts applied toward Principal Advances. The Servicer will also reimburse itself with respect to Principal Advances from amounts on deposit in the Collection Account, to the extent such amounts are available.

At the beginning of each Collection Period, the Servicer shall determine Servicer LIBOR which will apply for every day of that Collection Period. "Servicer LIBOR" will be equal to the One Month London Interbank Offered Rate – British Bankers Association Fixing for U.S. Dollar (and rounded to the next higher 1/100 of 1%), as reported on Bloomberg Screen US0001M on the first day of a Collection Period or on the business day prior, if the first day of a Collection Period is not a business day, or, if not so reported, then as determined by the Servicer from another recognized source of interbank quotation.

On each day during the Collection Period, the Servicer shall calculate the amount of Principal Advances and the amount of Loan Collections for such day. If Principal Advances exceed Loan Collections on such day, the Servicer shall calculate interest for such day at Servicer LIBOR on such amount for the period beginning on such day to, but not including, the Monthly Remittance Date in the following month (such interest, "Servicer Interest"). If Loan Collections exceed Principal Advances on such day, the Servicer shall calculate interest for such day at Servicer LIBOR on such amount for the period beginning on such day to, but not including, the Monthly Remittance

Date in the following month (such interest, "Seller Interest"). If the aggregate amount of Servicer Interest exceeds the aggregate amount of Seller Interest, in each case, as calculated for each day during the Collection Period, the Seller shall be obligated to pay the amount of such excess to the Servicer on the following Liquidity Amount and Reimbursement Amount Distribution Date. If the aggregate amount of Seller Interest exceeds the aggregate amount of Servicer Interest, in each case, as calculated for each day during the Collection Period, the Servicer shall be obligated to pay the amount of such excess to the Seller on the following Liquidity Amount and Reimbursement Amount Distribution Date.

All amounts earned from amounts on deposit in the Collection Account shall be for the benefit of the Servicer, and shall not be relevant to the above calculations. The Collection Account and the Certificate Account shall be Eligible Accounts and all amounts therein will either remain uninvested or will be invested in eligible investments. All amounts earned from amounts on deposit in the Certificate Account shall be for the benefit of the Seller. The Servicer shall deposit in the Collection Account and the Seller shall deposit in the Certificate Account the amount of any losses incurred in respect of their respective investments out of their own respective funds, without right of reimbursement therefor, immediately as realized.

Liquidity Amounts, REO Manager Reimbursement Amounts and Servicer Uncapitalized Servicing Advance Reimbursement Amounts

On the 8th business day of each calendar month, commencing in June 2011, the Co-Trustee will deliver to the Guarantor, the Seller and the holders of the Class RV-I Certificates and Class RV-II Certificates, a report (the "Liquidity Amount and Reimbursement Amount Report") setting forth the following amounts, each of which will be payable by the holder of the Class RV-I Certificates or the Class RV-II Certificates, the Guarantor or the Seller, as applicable, on the following Liquidity Amount and Reimbursement Amount Distribution Date: (i) the aggregate Liquidity Amount payable by the holder of each of the Class RV-I Certificates or Class RV-II Certificates, (ii) the Servicer Uncapitalized Servicing Advance Reimbursement Amount payable by the Guarantor, (iii) the REO Manager Reimbursement Amount payable by the Guarantor, (iv) the REO Manager Review Fees payable by the Guarantor and (v) the Servicer Interest and the Seller Interest, in each case, for the prior Collection Period and the amount payable by either the Servicer or the Seller to the other, as applicable, under the Servicing Agreement. On the 10th business day of each calendar month, commencing in June 2011 (the "Liquidity Amount and Reimbursement Amount Distribution Date"), the holder of the Class RV-I Certificates and the holder of the Class RV-II Certificates will each remit the related Liquidity Amount to the Co-Trustee and the Co-Trustee will (i) remit, as applicable, all or any required portion of the Liquidity Amount in respect of each Loan Group to the Servicer in reimbursement for any Principal Advances made during the prior Collection Period, which were not paid or reimbursed from Loan Collections and (ii) deposit any portion of such Liquidity Amounts not required to be remitted to the Servicer in the Certificate Account.

The amount payable on the Liquidity Amount and Reimbursement Amount Distribution Date by the Class RV-I Certificates or Class RV-II Certificates, as applicable (the "Liquidity Amount"), in respect of any Collection Period will be made with respect to each Liquidity Eligible Loan in the related Loan Group and will equal the aggregate amount of Principal Advances made by the Servicer during such Collection Period with respect to such Mortgage Loans in the related Loan Group. A "Liquidity Eligible Loan" is any Mortgage Loan prior to the date on which the Guarantor paid a Guaranteed Amount equal to the Stated Principal Balance of the related Mortgage Loan as of a Foreclosure Sale Date, prior to any Foreclosure Sale Date if a Mortgage Loan is liquidated for less than the Stated Principal Balance thereof, or with respect to any Assigned Mortgage Loan. The Certificate Principal Balance of the Class RV-I Certificates or Class RV-II Certificates, as applicable, will immediately increase by any related Liquidity Amount paid by the related Certificateholder on the date such Liquidity Amount is paid.

Each holder (other than the Seller and its affiliates) of the Class RV-I Certificates and Class RV-II Certificates must maintain (i) a short-term unsecured debt rating by S&P of at least "A-1" or (ii) a short-term unsecured debt rating by Moody's of at least "P-1" (the "Ratings Requirement"). In the event such holder does not maintain such rating, the holder of such Class RV-I Certificates or Class RV-II Certificates must, at its own cost, assign all of its rights and obligations as a holder of such Certificates to a substitute party selected by such holder which meets the Ratings Requirement. In addition, any subsequent holder of such Certificates must acknowledge its obligation to make payments of the Liquidity Amount to the Co-Trustee, the Servicer and the REO Manager by executing the agreement in the form attached as an exhibit to the Trust Agreement.

On each Liquidity Amount and Reimbursement Amount Distribution Date, based on the amounts set forth in the related Liquidity Amount and Reimbursement Amount Report, (i) the Guarantor will remit to the Co-Trustee the REO Manager Reimbursement Amount and Servicer Uncapitalized Servicing Advance Reimbursement Amount and the Co-Trustee will remit such REO Manager Reimbursement Amount and such Servicer Uncapitalized Servicing Advance Reimbursement Amount to the Servicer and (ii) the Guarantor will remit to the Co-Trustee the REO Manager Review Fees and the Co-Trustee will remit such REO Manager Review Fees to the REO Manager.

Pursuant to the Trust Agreement, the Servicer will have the right to enforce the obligations of the holders of the Class RV-I Certificates and Class RV-II Certificates to fund Liquidity Amounts in accordance with the provisions of the Trust Agreement.

Auction Call

If the aggregate Stated Principal Balance of the Mortgage Loans in either Loan Group declines below 1% of the aggregate Stated Principal Balance of the Mortgage Loans in such Loan Group as of the Cut-off Date, the Co-Trustee will conduct an auction to sell the Mortgage Loans in such Loan Group and the other related assets of the Issuer. The Co-Trustee shall solicit good faith bids for the Mortgage Loans in such Loan Group and the other related assets of the Issuer from at least three institutions that are regular purchasers and/or sellers in the secondary market of HECMs; however, any institution that submits a bid must be a HUD approved mortgagee.

The Co-Trustee will sell the Mortgage Loans to the institution with the highest bid exceeding an amount equal to the outstanding aggregate Certificate Principal Balance of the related Certificates, plus Accrued Certificate Interest thereon at the related Certificate Interest Rate, plus any related outstanding advances, fees or expenses due to the Co-Trustee, Delaware Trustee, Custodians, Credit Risk Manager, Servicer or Guarantor, plus the fair market value, as determined by the Guarantor in its sole discretion, of any Mortgage Loans in such Loan Group for which the Stated Principal Balance has been reduced to zero as a result of the Guarantor having made a payment in respect of the Fannie Mae Guaranty (collectively, the "Par Value"). If less than three bids are received or the highest bid received is less than the Par Value, the Co-Trustee may not sell the Mortgage Loans and the other assets in the Trust. However, the Co-Trustee will continue conducting auctions every six months until the earlier of (a) the completion of a successful auction and (b) the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group is reduced to zero.

If an auction is successfully completed and the highest bid is in excess of the Par Value, the Class RV-I Certificates and RV-II Certificates will be entitled to receive the amount of that excess allocated to their respective Loan Group.

Reports to Certificateholders

The Co-Trustee will (based upon, and only to the extent it receives, information provided to it by the Servicer) make available a report (each a "Distribution Date Statement") setting forth certain information relating to the Mortgage Pool and the Certificates, including:

(i) the amount paid on such Distribution Date to holders of each class of Certificates in respect of interest;

(ii) the amount paid on such Distribution Date to holders of each class of Certificates in respect of principal;

(iii) the Certificate Interest Rate for each class of Certificates with respect to such Distribution Date;

(iv) the Certificate Principal Balance and class factor of each class of Certificates prior to and after giving effect to distributions on such Distribution Date;

(v) the Accrued Certificate Interest for each class of Certificates with respect to such Distribution Date and any prepayment interest shortfalls allocated to each class of Certificates on such Distribution Date and any Negative Amortization Balance Increase for each class of Certificates with respect to such Distribution Date;

(vi) the number and aggregate Stated Principal Balance of Mortgage Loans in each Loan Group as of the first day, and as of the last day, of the related Collection Period;

(vii) the number of REO Properties in each Loan Group as of the first day, and as of the last day, of the related Collection Period;

(viii) the weighted average Net Mortgage Rate and the weighted average Maximum Mortgage Rate as of the first day, and of the last day, of the related Collection Period with respect to each Loan Group;

(ix) for the related Collection Period, in the aggregate, as determined for each Loan Group separately: (a) the Unscheduled Principal Advances made; (b) the Scheduled Principal Advances made; (c) prepayments in full and in part; (d) interest accrued on the Mortgage Loans; (e) Servicing Fees accrued on the Mortgage Loans; (f) mortgage insurance premium payments paid by the Servicer in respect of the related Mortgage Loans; (g) the Servicing Advances made; (h) any Post-Payment Proceeds received; (i) Excess Draw Interest accrued; and (j) FHA insurance proceeds received;

(x) the amount of Principal Advances made which were not paid or reimbursed from Loan Collections during the related Collection Period;

(xi) the Loan Collections remitted to the Co-Trustee for such Distribution Date with respect to each Loan Group;

(xii) the Co-Trustee Fee and Credit Risk Manager Fee for such Distribution Date, and, if applicable the Custodial Fees for such Distribution Date with respect to each Loan Group;

(xiii) the Guaranty Fee for such Distribution Date, and the aggregate unpaid Guaranty Fee for such Distribution Date and all prior Distribution Dates, in each case in respect of each Loan Group;

(xiv) the amount of any Guaranteed Amounts to be paid by the Guarantor with respect to each class of Certificates for such Distribution Date, the aggregate Guaranteed Amounts paid by the Guarantor with respect to each class of Certificates for all prior Distribution Dates, the amount to be reimbursed to the Guarantor on such Distribution Date for prior Guaranteed Amounts made with respect to each class of Certificates for all prior Distribution Dates and the aggregate amount of all such prior reimbursements made on all prior Distribution Dates;

(xv) the Available Distribution Amount for such Distribution Date with respect to each Loan Group;

(xvi) the number and aggregate Stated Principal Balance of Mortgage Loans in each Loan Group as of the end of the related Collection Period that are (1) in foreclosure, (2) due and payable, (3) REO Properties, (4) pending FHA insurance claim, (5) REO Properties (post claim) or (6) in T&I Default, Repair Default or Occupancy Default;

(xvii) the number and aggregate Stated Principal Balance of Mortgage Loans in each Loan Group (a) as of the related Collection Period and (b) cumulatively since the Closing Date, that are (i) repurchased by the Seller, or (ii) that are Defective Mortgage Loans;

(xviii) the amount, if any, of Extraordinary Trust Expenses with respect to each Loan Group (a) as of the related Distribution Date and (b) cumulatively since the Closing Date, that are paid to (i) the Delaware Trustee, (ii) the Custodians, (iii) the Credit Risk Manager and (iv) the Co-Trustee;

(xix) the Stated Principal Balance of each Mortgage Loan in each Loan Group (i) with respect to which the related Foreclosure Sale Date occurred during the related Collection Period, (ii) which was liquidated for less than the Stated Principal Balance thereof during the related Collection Period prior to the related Foreclosure Sale Date or (iii) which is an Assigned Mortgage Loan and with respect to which the related FHA insurance proceeds were received during the related Collection Period;

(xx) the amount, if any, of Group I Seller Funded Expenses and Group II Seller Funded Expenses to be paid by the Seller on such Distribution Date, and the amount, if any, of Group I Seller Funded Expenses and Group II Seller Funded Expenses to be reimbursed to the Seller on such Distribution Date;

(xxi) any Seller Interest and Servicer Interest for the related Collection Period;

(xxii) with respect to each Loan Group, the amount (if any) of Liquidity Amount with respect to each Class RV Certificates to be deposited in the Certificate Account and the amount (if any) of such Liquidity Amount to be remitted to the Servicer; and

(xxiii) any other information as provided in the Trust Agreement.

The Co-Trustee will make such information and a Mortgage Loan data file (and, at its option, any additional files containing the same information in an alternative format) available each month to the Guarantor and to Beneficial Owners of the Certificates that provide appropriate certification in the form furnished by the Co-Trustee (which may be submitted electronically via the Co-Trustee's internet website), and any designee of the Issuer via the Co-Trustee's internet website, located at "www.usbank.com/abs". Assistance in using the website can be obtained by calling the Co-Trustee's customer service desk at (800) 934-6802. Parties that are unable to use the above distribution options are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and indicating such. The Co-Trustee will have the right to change the way such statements are distributed in order to make such distribution more convenient and/or more accessible to the above parties, and the Co-Trustee will provide timely and adequate notification to all above parties regarding any such changes. As a condition to access to the Co-Trustee's internet website, the Co-Trustee may require registration, the acceptance of a disclaimer and proof of ownership through the related depository.

The primary source of information available to Certificateholders concerning the Certificates will be the Distribution Date Statements. There can be no assurance that any additional information regarding the Certificates will be available through any other source. In addition, the Issuer is not aware of any source through which price information about the Certificates will be generally available on an ongoing basis. The limited nature of information regarding the Certificates may adversely affect the liquidity of the Certificates, even if a secondary market for the Certificates becomes available.

The Co-Trustee will also be entitled to rely on but will not be responsible for the content or accuracy of any information provided by third parties for purposes of preparing the Distribution Date Statements and may affix thereto any disclaimer it deems appropriate in its reasonable discretion (without suggesting liability on the part of any other party hereto).

YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS

General

The yield to maturity on each class of Certificates will be primarily affected by the following factors:

(i) The timing and payment of Guaranteed Amounts from the Guarantor;

(ii) The rate and timing of principal payments on the Mortgage Loans in the related Loan Group, including principal payments as a result of liquidations (after a Maturity Event), and prepayments, receipt of the proceeds of FHA insurance or proceeds from FHA as a result of assignment of a Mortgage Loan at 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the Maximum Claim Amount, and repurchases due to breaches of representations and warranties;

(iii) The rate and timing of interest shortfalls on the Mortgage Loans in the related Loan Group;

(iv) The allocation of principal distributions among the various classes of Certificates and increases in the Certificate Principal Balances of the Certificates;

(v) The interest rate on that class of Certificates; and

(vi) The exercise of an auction call by the Co-Trustee.

See also “Risk Factors” in this Information Memorandum for additional information regarding yield, prepayment and maturity considerations with respect to the Certificates.

Prepayment Considerations

The yield to maturity and the aggregate amount of distributions on each class of Certificates will be affected by the rate and timing of principal payments on the Mortgage Loans in the related Loan Group, which will depend in large part upon: (1) the mobility, health and mortality of the borrowers, the servicing practices of the Servicer and the REO Manager in connection with foreclosing and liquidating the Mortgage Loans before and after a Maturity Event, (2) the rate and timing of the receipt of FHA insurance with respect to Mortgage Loans for which a claim has been made, and (3) payments by the Guarantor of the Guaranteed Amount equal to the Stated Principal Balance of the related Mortgage Loan as of a Foreclosure Sale Date, prior to any Foreclosure Sale Date if a Mortgage Loan is liquidated for less than the Stated Principal Balance thereof, or with respect to any Assigned Mortgage Loan.

These yields to maturity may be adversely affected by a higher or lower than anticipated rate of principal payments on the related Mortgage Loans. The rate of principal payments on the Mortgage Loans in either Loan Group will also be affected by repurchases of Mortgage Loans due to breaches of representations and warranties. The timing of changes in the rate of prepayments, liquidations and purchases of the Mortgage Loans may, and the timing of any losses on the Mortgage Loans will, significantly affect the yield to a holder of the Certificates, even if the average rate of principal payments experienced over time is consistent with an investor's expectation. Since the rate and timing of principal payments on the Mortgage Loans will depend on future events and on a variety of factors, as described in this Information Memorandum, no assurance can be given as to the rate or the timing of principal distributions on the Certificates.

The rate and timing of principal payments on the Mortgage Loans will also be affected by the ability of the Servicer to transfer the Mortgage Loans to HUD once the Stated Principal Balance reaches 98% (or such lower threshold permitted by HUD from time to time for any assignments to HUD) of the Maximum Claim Amount. Mortgage Loans may not eligible to be transferred to HUD as a result of being in T&I Default or otherwise in default. As a result, principal payments on these Mortgage Loans will be slower than would otherwise be the case.

The Mortgage Loans may be prepaid by the mortgagors at any time in full or in part. The terms of the Servicing Agreement generally require the Servicer and the REO Manager to enforce any due-on-sale clause to the extent it has knowledge of the conveyance or the proposed conveyance of the related mortgaged property and to the extent permitted by applicable law, except that any enforcement action that would impair or threaten to impair any recovery under any related insurance policy will not be required or permitted. The Mortgage Loans may not be assumed.

The Servicer may allow the refinancing of a Mortgage Loan by accepting prepayments thereon and permitting a new loan secured by a mortgage on the same property. In the event of such a refinancing, the new loan would not be included in the trust fund and, therefore, the refinancing would have the same effect as a prepayment in full of the related Mortgage Loan. Given the high transaction costs of Mortgage Loans and the elderly nature of the borrowers, it is not expected that the amount of refinancings will be material, unless a significant reduction in interest rates is permitted under the HUD sponsored program.

Because of the nature of the Mortgage Loans included in the Trust, the rate of principal payments will be different than for a pool of newly originated HECMs. The Mortgage Loans are seasoned, so a Maturity Event may occur earlier than anticipated. The Servicer may have delays or other servicing issues in connection with the Mortgage Loans in T&I Default. See "Risk Factors—Foreclosure on the HECMs in Default in Payment of Taxes and Insurance May Be Delayed." The Seller has not acted as sponsor for, and is unaware of any other securitization of, HECMs with characteristics similar to the Mortgage Loans, and has limited information with respect to the ability to predict the rate of principal payments on the Mortgage Pool.

The yield and weighted average lives of the Certificates will also be affected significantly by the rate and timing of Maturity Events. As described under "Risk Factors—Nature of Mortgage Loans—No Monthly Payments" herein, due to the payment characteristics of the Mortgage Loans, it is possible that little or no cash will be remitted by borrowers on any Distribution Date to make distributions to the Certificates until the Mortgage Loans have matured and been liquidated, which occurrence depends greatly on the mobility, health and mortality of the borrowers.

Fannie Mae Guaranty Payments

Payments under the Fannie Mae Guaranty will materially affect the yield to maturity of the Certificates. Fannie Mae will pay an amount equal to (1) following the related Foreclosure Sale Date, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, (2) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Foreclosure Sale Date, the Stated Principal Balance of the related Mortgage Loan immediately prior to the time of such liquidation, (3) with respect to any Assigned Mortgage Loan, the Stated Principal Balance thereof at the time of receipt of the related FHA insurance proceeds, and (4) with respect to the Class A-I Certificates and Class A-II Certificates only, the aggregate amount of prepayment interest shortfalls allocated to such Certificates. After the Guarantor pays the Stated Principal Balance of a Mortgage Loan pursuant to the Fannie Mae Guaranty, the Stated Principal Balance of such Mortgage Loan will be equal to zero, and the Certificates will no longer receive amounts in respect of interest and principal from such Mortgage Loan. Fannie Mae will be entitled to all subsequent recoveries on such Mortgage Loan, including any FHA insurance proceeds on such Mortgage Loan.

Because Fannie Mae will make a payment in an amount equal to (i) the Stated Principal Balance of the related Mortgage Loan as of the Foreclosure Sale Date, (ii) if a Mortgage Loan is liquidated for less than the Stated Principal Balance thereof, the Stated Principal Balance of the related Mortgage Loan immediately prior to the time of such liquidation or (iii) with respect to any Assigned Mortgage Loan, the Stated Principal Balance thereof at the time of receipt of the related FHA insurance proceeds, there will be no delay between these events and the final receipt by the Trust of all proceeds from the related Mortgage Loan or from the FHA insurance. As a result, the weighted average life of the Certificates will be shorter than would otherwise be the case.

The Fannie Mae Guaranty will also cover prepayment interest shortfalls allocable to the Class A-I Certificates or Class A-II Certificates.

To the extent Fannie Mae is in default under the Fannie Mae Guaranty, Realized Losses may occur. See "Risk Factors" herein.

Allocation of Distributions and Certificate Principal Balance Increases

Distributions of interest and principal from the Mortgage Loans in the related Loan Group to which the related Certificates are entitled will be paid to such Certificates on a pro rata basis, without priority of payment, as described herein

The Certificate Principal Balances of the Certificates will be increased to the extent of related Negative Amortization Balance Increase as described herein. In addition, the Certificate Principal Balance of the Class RV-I Certificates and Class RV-II Certificates will be subject to increase in respect of any Liquidity Amounts. As a result, the proportion of interest and principal allocable to the Class RV-I Certificates and Class RV-II Certificates, relative to the Class A-I Certificates and Class A-II Certificates, respectively, will increase throughout the life of the transaction.

Interest Shortfalls

With respect to any Mortgage Loan for which a payment in part or in full is received, whether as a result of a prepayment, an insurance payment, or a liquidation, interest will be paid by the related borrower or by HUD, or will be covered by proceeds, only up to the date of such payment, and not for the entire calendar month. Because the Certificates accrue a full month's interest during the prior calendar month on a 30/360 basis, a shortfall will occur to the extent these payments are not received on the last day of the month. These shortfalls will not be covered by the Servicer or the REO Manager. The amount of prepayment interest shortfalls will be determined separately with respect to each Loan Group and will be allocated on each Distribution Date first, to the Class RV-I Certificates or Class RV-II Certificates, as applicable, until the amount of Accrued Certificate Interest for such Certificates and such Distribution Date has been reduced to zero, and then to the Class A-I Certificates or Class A-II Certificates, as applicable; provided, however, that any such shortfalls allocated to the Class A-I Certificates or Class A-II Certificates will then be paid by the Guarantor pursuant to the Fannie Mae Guaranty.

As a result, on any Distribution Date, the holders of the Class RV-I Certificates and Class RV-II Certificates may not accrue interest at a rate equal to the weighted average of the Net Mortgage Rates on the Mortgage Loans. The amount of these shortfalls may vary considerably from Distribution Date to Distribution Date and will be affected by the rate and timing of principal payments on the Mortgage Loans. Because all amounts received in respect of the Mortgage Loans, other than those representing payments made on the last day of the month, are generally in a lump sum, prepayment interest shortfalls are expected to occur frequently and the amount will be significant.

Certificate Interest Rates

The yield to maturity on the Certificates will be affected by the Certificate Interest Rate, which will be equal to the weighted average of the Net Mortgage Rates on the Mortgage Loans. The Net Mortgage Rate on any Mortgage Loan will be equal to the related Mortgage Rate less the sum of the Administrative Fee Rate and the Guaranty Fee Rate (the sum of which is 0.16385% per annum) and the related Expense Fee Margin. The Expense Fee Margin will be determined by the amount of Custodial Fees and Extraordinary Trust Expenses. The amount of Custodial Fees is not expected to be material, and Extraordinary Trust Expenses are subject to an annual cap.

As a result of the lump sum payment feature of HECMs such as the Mortgage Loans, the Certificates may not always receive interest at this rate on a monthly basis. To the extent the Available Distribution Amount is insufficient to pay interest on the Certificates at a rate equal to the related Certificate Interest Rate, the Certificate Principal Balance of such Certificates will increase by the Negative Amortization Balance Increase.

The yield to maturity of the Certificates will be adversely affected to the extent the mortgage rate for any Mortgage Loan is affected by the application of any periodic rate cap or lifetime cap. For an annual adjustable rate HECM, the mortgage rate will adjust on the applicable mortgage interest adjustment date, and the annual increases and decreases will be limited by the annual adjustment cap of two percentage points per year. In addition, annual adjustable rate HECMs are subject to a lifetime cap such that any such HECMs may never have any increases or decreases more than 5% higher or lower than the initial Mortgage Rate set forth in the related mortgage note. For a monthly adjustable rate HECM, the Mortgage Rate is subject to a lifetime cap as set forth in the related mortgage note. Notwithstanding any fluctuations or adjustments in the related indices, the application of periodic rate or lifetime caps may impact the amount of interest accrued in respect of any HECM, and will ultimately affect the yield to maturity on the Certificates.

Because the Mortgage Loans included in Loan Group I and Loan Group II adjust based on One-Year CMT and One-Month LIBOR, respectively, the Certificate Interest Rates of the related Certificates, and the related yield to maturity, will be sensitive to changes in such indices. These indices may not rise and fall consistently with the prevailing interest rates on other adjustable rate mortgage loans based on other indices.

Final Scheduled Distribution Dates

The final scheduled Distribution Date with respect to the Certificates will be the Distribution Date in June 2061, which is the Distribution Date 50 years after the initial Distribution Date. Due to Guaranteed Amounts and prepayments on the Mortgage Loans, the actual final Distribution Date on any class of Certificates may be substantially earlier. In addition, the actual final Distribution Date on any class of Certificates may be later than the final scheduled Distribution Date.

Weighted Average Life

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of payment to the investor of each dollar paid in net reduction of principal of such security (assuming no losses). The weighted average lives of the Certificates will be influenced by, among other things, the rate at which payments on the Mortgage Loans in the related Loan Group are received, which may be in the form of prepayments, payments by borrowers or borrowers' estates at maturity, or liquidations.

Payments on mortgage loans may be measured relative to a constant payment model. The model used in this Information Memorandum (the "Prepayment Assumption") assumes varying percentages of a constant prepayment rate ("CPR"). CPR is a prepayment assumption that represents a constant assumed rate of prepayment each month relative to the then outstanding Stated Principal Balance of a pool of mortgage loans for the life of such mortgage loans. The model does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any mortgage loans, including the Mortgage Loans to be included in the Mortgage Pool. CPR does not consider any delays in obtaining proceeds in connection with a liquidation.

The table titled "Percentage of Original Certificate Principal Balance Outstanding" was prepared based on the following assumptions (collectively, the "Modeling Assumptions"):

(i) the level of One-Year CMT remains constant at 0.161% per annum and the level of One-Month LIBOR remains constant at 0.202% per annum;

(ii) an auction call does not occur;

(iii) the sum of the rates at which the amount of the fees owed to the Co-Trustee, the Guarantor and the Credit Risk Manager accrue is 0.16385% per annum;

(iv) the Closing Date is May 27, 2011;

(v) each Distribution Date occurs on the 25th of the related month, commencing June 25, 2011;

(vi) each Mortgage Loan is assigned from the Issuer to HUD at 98% of the related Maximum Claim Amount;

(vii) there are no Extraordinary Trust Expenses, Custodial Fees, prepayment interest shortfalls, uncapitalized Servicing Advances and no shortfalls in interest paid on the Mortgage Loans as a result of the debenture rate on any Mortgage Loan being less than the related mortgage rate;

(viii) there are no payments of Guaranteed Amounts made by the Guarantor;

(ix) Capitalized Servicing Advances for each Mortgage Loan in default occur at a rate of 2.00% per annum;

(x) each Mortgage Loan has an annual mortgage insurance premium rate of 0.50% per annum;

(xi) the draw rate is 5% CPR;

(xii) hypothetical loan numbers 1-5 and 17-21 are active, and the remaining hypothetical loans are in default;

(xiii) the Class A-I, Class RV-I, Class A-II and Class RV-II Certificates have a certificate Principal Balance of $8,756,263,440, $30,000,000, $468,283,173 and $2,000,000, respectively;

(xiv) draws occur and scheduled advances are made on the first day of the of the related Collection Period;

(xv) the cut-off date is May 1, 2011; and

(xvi) the Mortgage Loans have the approximate characteristics described below:

Loan #	Loan Group	Cut-off Date Balance ($)	Initial Gross Coupon (%)	Rem. Am. Term (months)	Age (months)	Index	Margin (%)	Months to Next Rate Reset	Rate Reset Frequency (months)	Life Cap (%)	Serv. Fee ($)	Monthly Scheduled Draw Payment ($)	Original Scheduled Draw Term (months)	Available Line of Credit ($)	Maximum Claim Amount($)	Principal Limit ($)	Payment Plan
1	I	7,019,218,158.05	1.75164	546	54	1-Yr. CMT	1.48423	1	1	14.49582	1,382,857.29	N/A	N/A	1,116,653,847.34	10,527,243,624.00	8,306,355,191.39	Line of Credit
2	I	312,467,788.61	1.76385	537	63	1-Yr. CMT	1.49276	1	2	14.53009	76,234.00	1,686,208.60	600	91,608,202.56	686,419,542.00	600,526,398.28	Modified Tenure
3	I	332,908,611.19	1.79505	528	72	1-Yr. CMT	1.52635	1	1	14.30041	75,006.00	2,169,683.83	87	47,342,070.93	624,822,427.00	521,405,410.38	Modified Term
4	I	171,960,840.06	1.73532	546	54	1-Yr. CMT	1.46629	1	1	14.53315	47,637.00	1,256,195.20	598	N/A	399,860,685.00	327,469,578.55	Tenure
5	I	81,072,449.01	1.78899	549	51	1-Yr. CMT	1.52287	1	1	14.15541	20,427.00	680,043.24	95	N/A	155,547,395.00	126,302,559.80	Term
6	I	127,154,468.22	1.75218	483	117	1-Yr. CMT	1.48524	1	1	14.49242	26,740.00	N/A	N/A	0.00	200,014,675.00	162,309,425.91	Line of Credit
7	I	6,615,416.63	1.78079	542	58	1-Yr. CMT	1.50991	1	2	14.63050	1,660.00	0.00	0	0.00	14,929,767.00	12,789,083.85	Modified Tenure
8	I	9,535,753.18	1.78368	550	50	1-Yr. CMT	1.51799	1	1	14.42046	2,155.00	0.00	0	0.00	18,279,872.00	15,222,633.32	Modified Term
9	I	32,039.48	1.77000	538	62	1-Yr. CMT	1.50000	1	1	16.17000	30.00	0.00	0	N/A	34,000.00	28,392.49	Term
10	I	414,015,530.02	1.69649	545	55	1-Yr. CMT	1.43028	1	1	14.60778	79,211.00	N/A	N/A	0.00	521,318,462.00	410,744,726.13	Line of Credit
11	I	2,858,058.13	1.68437	527	73	1-Yr. CMT	1.41437	1	1	14.39266	395.00	0.00	0	0.00	3,248,462.00	2,709,050.41	Modified Term
12	I	684,059.16	1.68011	533	67	1-Yr. CMT	1.41357	1	1	14.55591	240.00	0.00	0	N/A	771,500.00	678,571.69	Term
13	I	305,372,095.19	1.70339	553	47	1-Yr. CMT	1.43680	1	1	14.55078	58,393.00	N/A	N/A	0.00	396,657,066.00	307,835,337.15	Line of Credit
14	I	391,682.37	2.02000	570	30	1-Yr. CMT	1.75000	1	1	12.87000	35.00	0.00	0	0.00	400,000.00	384,353.55	Modified Tenure
15	I	1,740,088.72	1.79167	544	56	1-Yr. CMT	1.51327	2	2	14.60644	275.00	0.00	0	0.00	2,140,895.00	1,747,992.06	Modified Term
16	I	236,402.76	1.77000	512	88	1-Yr. CMT	1.50000	1	1	14.68050	57.00	0.00	0	N/A	276,000.00	234,902.76	Term
17	II	396,974,464.24	2.71580	574	26	1-Mo. LIBOR	2.45645	1	1	13.02579	69,880.00	N/A	N/A	78,221,796.54	652,358,465.00	483,468,578.38	Line of Credit
18	II	8,375,344.74	2.75605	574	26	1-Mo. LIBOR	2.49614	1	1	13.13022	1,930.00	60,583.95	600	4,868,429.01	25,512,290.00	20,222,088.48	Modified Tenure
19	II	18,247,799.64	2.66410	574	26	1-Mo. LIBOR	2.40466	1	1	13.08059	3,595.00	181,557.04	86	4,375,515.79	42,456,880.00	33,612,980.31	Modified Term
20	II	5,601,326.79	2.69913	574	26	1-Mo. LIBOR	2.43745	1	1	13.14911	1,830.00	60,594.06	600	N/A	17,853,710.00	13,687,895.88	Tenure
21	II	5,396,749.90	2.49379	573	27	1-Mo. LIBOR	2.23358	1	1	13.03300	1,210.00	65,457.58	111	N/A	12,628,450.00	9,820,119.80	Term
22	II	7,713,539.34	2.64473	574	26	1-Mo. LIBOR	2.38615	1	1	13.00880	1,515.00	N/A	N/A	0.00	12,897,300.00	9,476,895.91	Line of Credit
23	II	88,548.89	3.51100	577	23	1-Mo. LIBOR	3.25000	1	1	13.56800	35.00	0.00	0	0.00	210,000.00	191,907.81	Modified Tenure
24	II	283,369.42	2.76162	574	26	1-Mo. LIBOR	2.50373	1	1	12.95395	75.00	0.00	0	0.00	835,000.00	589,082.64	Modified Term
25	II	14,014,934.13	2.69521	574	26	1-Mo. LIBOR	2.43669	1	1	13.03528	2,865.00	N/A	N/A	0.00	18,831,950.00	14,069,757.68	Line of Credit
26	II	13,587,096.90	2.77612	574	26	1-Mo. LIBOR	2.51705	1	1	13.16454	2,185.00	N/A	N/A	0.00	19,018,690.00	13,681,221.08	Line of Credit

The performance of the Mortgage Loans will differ from the assumptions used in constructing the tables set forth on the following pages, which are hypothetical in nature and are provided only to give a general sense of how the cash flows on the Certificates might behave under varying payment scenarios. For example, it is not expected that the Mortgage Loans will pay at a constant rate or that all of the Mortgage Loans will mature and pay at the same rate, and there can be no assurance that borrowers will not continue to occupy the mortgaged properties (thus delaying the occurrence of Maturity Events) longer, perhaps significantly longer, than has been assumed for purposes of the following tables. Any difference between such assumptions and the actual performance of the Mortgage Loans, including actual payment or loss experience, will cause the percentages of initial Certificate Principal Balance outstanding over time and the weighted average lives of the Certificates to differ (which difference could be material) from the corresponding information in the tables under the various percentages of the Prepayment Assumption specified therein.

Subject to the foregoing discussion and Modeling Assumptions, the following table indicates the weighted average lives of the Certificates and sets forth the percentages of the initial Certificate Principal Balance of the Certificates that would be outstanding after each of the Distribution Dates shown at various percentages of the Prepayment Assumption.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of CPR Set Forth Below:

	Class A-I Certificates				
Distribution Date	**8%**	**10%**	**12%**	**14%**	**16%**
Initial Percentage	100%	100%	100%	100%	100%
May 25, 2012	94	91	89	87	85
May 25, 2013	87	84	80	76	73
May 25, 2014	82	77	72	67	62
May 25, 2015	76	70	64	58	53
May 25, 2016	68	61	55	49	43
May 25, 2017	62	54	47	41	36
May 25, 2018	58	49	42	36	31
May 25, 2019	54	45	38	31	26
May 25, 2020	48	39	32	26	21
May 25, 2021	44	35	28	22	18
May 25, 2022	2	2	2	1	1
May 25, 2023	2	2	1	1	1
May 25, 2024	2	2	1	1	1
May 25, 2025	2	1	1	1	*
May 25, 2026	1	1	1	1	*
May 25, 2027	1	1	1	*	*
May 25, 2028	*	*	*	*	*
May 25, 2029	*	*	*	*	*
May 25, 2030	0	0	0	0	0
Weighted Average Life (years) to Maturity(1)	7.26	6.59	6.00	5.47	5.00

* Represents a number that is greater than zero but less than 0.5%.

(1) The weighted average life of the Class A-I Certificates is determined by (i) multiplying the assumed net reduction, if any, in the Certificate Principal Balance on each Distribution Date of the Class A-I Certificates by the number of years from the date of issuance of the Class A-I Certificates to the related Distribution Date, (ii) summing the results, and (iii) dividing the sum by the aggregate amount of the assumed net reductions in the Certificate Principal Balance of the Class A-I Certificates.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of CPR Set Forth Below:

	Class RV-I Certificates				
Distribution Date	**8%**	**10%**	**12%**	**14%**	**16%**
Initial Percentage	100%	100%	100%	100%	100%
May 25, 2012	2,450	2,397	2,343	2,290	2,237
May 25, 2013	4,374	4,185	4,002	3,822	3,646
May 25, 2014	4,681	4,383	4,097	3,824	3,563
May 25, 2015	4,710	4,314	3,943	3,596	3,273
May 25, 2016	4,495	4,027	3,599	3,208	2,852
May 25, 2017	4,298	3,767	3,292	2,868	2,490
May 25, 2018	4,235	3,631	3,102	2,641	2,240
May 25, 2019	4,161	3,490	2,916	2,426	2,010
May 25, 2020	3,824	3,137	2,563	2,084	1,686
May 25, 2021	3,652	2,931	2,341	1,860	1,470
May 25, 2022	214	168	131	102	79
May 25, 2023	207	159	121	92	69
May 25, 2024	200	150	112	83	61
May 25, 2025	154	113	83	60	43
May 25, 2026	144	103	74	52	37
May 25, 2027	138	97	68	47	32
May 25, 2028	3	2	1	1	1
May 25, 2029	3	2	1	1	1
May 25, 2030	0	0	0	0	0
Weighted Average Life (years) to Maturity(1)	9.81	9.30	8.75	8.22	7.74

(1) The weighted average life of the Class RV-I Certificates is determined by (i) multiplying the assumed net reduction, if any, in the Certificate Principal Balance on each Distribution Date of the Class RV-I Certificates by the number of years from the date of issuance of the Class RV-I Certificates to the related Distribution Date, (ii) summing the results, and (iii) dividing the sum by the aggregate amount of the assumed net reductions in the Certificate Principal Balance of the Class RV-I Certificates.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of CPR Set Forth Below:

	Class A-II Certificates				
Distribution Date	**8%**	**10%**	**12%**	**14%**	**16%**
Initial Percentage	100%	100%	100%	100%	100%
May 25, 2012	94	92	90	88	86
May 25, 2013	89	85	82	78	74
May 25, 2014	84	79	74	69	64
May 25, 2015	80	73	67	61	55
May 25, 2016	75	67	60	54	48
May 25, 2017	67	59	52	45	39
May 25, 2018	62	54	46	39	33
May 25, 2019	55	47	39	32	27
May 25, 2020	2	2	1	1	1
May 25, 2021	1	1	1	1	*
May 25, 2022	*	*	*	*	*
May 25, 2023	*	*	*	*	*
May 25, 2024	*	*	*	*	*
May 25, 2025	*	*	*	*	*
May 25, 2026	*	*	*	*	*
May 25, 2027	*	*	*	*	*
May 25, 2028	*	*	*	*	*
May 25, 2029	*	*	*	*	*
May 25, 2030	*	*	*	*	*
May 25, 2031	0	0	0	0	0
Weighted Average Life (years) to Maturity(1)	6.88	6.31	5.79	5.33	4.91

* Represents a number that is greater than zero but less than 0.5%.

(1) The weighted average life of the Class A-II Certificates is determined by (i) multiplying the assumed net reduction, if any, in the Certificate Principal Balance on each Distribution Date of the Class A-II Certificates by the number of years from the date of issuance of the Class A-II Certificates to the related Distribution Date, (ii) summing the results, and (iii) dividing the sum by the aggregate amount of the assumed net reductions in the Certificate Principal Balance of the Class A-II Certificates.

Percentage of Original Certificate Principal Balance Outstanding at the Respective Percentages of CPR Set Forth Below:

	Class RV-II Certificates				
Distribution Date	**8%**	**10%**	**12%**	**14%**	**16%**
Initial Percentage	100%	100%	100%	100%	100%
May 25, 2012	2,224	2,175	2,127	2,079	2,030
May 25, 2013	4,074	3,899	3,728	3,560	3,396
May 25, 2014	4,849	4,540	4,244	3,961	3,691
May 25, 2015	4,973	4,554	4,163	3,797	3,456
May 25, 2016	5,023	4,500	4,022	3,585	3,187
May 25, 2017	4,710	4,128	3,607	3,142	2,729
May 25, 2018	4,553	3,904	3,336	2,840	2,408
May 25, 2019	4,197	3,520	2,941	2,447	2,027
May 25, 2020	167	137	112	91	74
May 25, 2021	106	85	68	54	43
May 25, 2022	4	3	3	2	2
May 25, 2023	4	3	3	2	2
May 25, 2024	5	3	3	2	1
May 25, 2025	3	3	2	1	1
May 25, 2026	4	3	2	1	1
May 25, 2027	4	3	2	1	1
May 25, 2028	4	2	2	1	1
May 25, 2029	4	2	2	1	1
May 25, 2030	4	2	2	1	1
May 25, 2031	0	0	0	0	0
Weighted Average Life (years) to Maturity[(1)]	8.64	8.44	8.09	7.73	7.38

(1) The weighted average life of the Class RV-II Certificates is determined by (i) multiplying the assumed net reduction, if any, in the Certificate Principal Balance on each Distribution Date of the Class RV-II Certificates by the number of years from the date of issuance of the Class RV-II Certificates to the related Distribution Date, (ii) summing the results, and (iii) dividing the sum by the aggregate amount of the assumed net reductions in the Certificate Principal Balance of the Class RV-II Certificates.

CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS

The following discussion summarizes legal aspects of mortgage loans that are general in nature. The summaries do not purport to be complete. They do not reflect the laws of any particular state nor the laws of all states in which the mortgaged properties may be situated. This is because these legal aspects are governed in part by the law of the state that applies to a particular mortgaged property and the laws of the states may vary substantially.

Mortgages

Each Mortgage Loan will be evidenced by a note or bond and secured by an instrument granting a security interest in real property, which may be a mortgage, deed of trust or a deed to secure debt, depending upon the prevailing practice and law in the state in which the related mortgaged property is located, and may have first, second or third priority. Mortgages, deeds of trust and deeds to secure debt are often collectively referred to herein as “mortgages.” In some states, a mortgage creates a lien upon the real property encumbered by the mortgage. However, in other states, the mortgage conveys legal title to the property respectively, to the mortgagee or to a trustee for the benefit of the mortgagee subject to a condition subsequent (i.e., the payment of the indebtedness secured thereby). The priority of the lien of the mortgage with respect to other mortgages or liens granted will depend on the terms of separate subordination or inter-creditor agreements, the knowledge of the parties in some cases and generally on the order of recordation of the mortgage in the appropriate recording office. However, the lien created by any mortgage is generally not prior to the lien for real estate taxes and assessments and other charges imposed under governmental police powers.

There are two parties to a mortgage: the mortgagor, who is the borrower and homeowner, and the mortgagee, who is the lender. Under the mortgage instrument, the mortgagor delivers to the mortgagee a note or bond and the mortgage. A deed of trust has three parties: the trustor who is the borrower-homeowner; the beneficiary who is the lender; and a third-party grantee called the trustee. Under a deed of trust, the borrower grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale, to the trustee to secure payment of the obligation. A deed to secure debt typically has two parties: the grantor, who is the equivalent of a mortgagor, conveys title to the real property to the grantee, who is the lender, generally with a power of sale until the debt is repaid. In the case of real property owned by a land trust, there are three parties because title to the property is held by a land trustee under a land trust agreement of which the borrower is the beneficiary: the mortgagee, who is the lender, the land trustee, who executes and delivers the mortgage and the mortgage note, and the borrower, who executes a separate undertaking to make payments on the mortgage note.

The trustee’s authority under a deed of trust, the grantee’s authority under a deed to secure debt and the mortgagee’s authority under a mortgage are governed by the express provisions of the related instrument, the law of the state in which the real property is located, certain federal laws and, in deed of trust transactions, the directions of the beneficiary.

Foreclosure on Mortgages

General

Foreclosure is a legal procedure that allows the mortgagee to recover its mortgage debt by enforcing its rights and available legal remedies under the mortgage. Upon a Maturity Event or in some cases, if a mortgagor defaults in performance of its obligations under the note or mortgage, the mortgagee has the right to institute foreclosure proceedings to sell the mortgaged property at public auction to satisfy the indebtedness.

Foreclosure procedures with respect to the enforcement of a mortgage vary from state to state. Two primary methods of foreclosing a mortgage are judicial foreclosure and non-judicial foreclosure pursuant to a power of sale granted in the mortgage instrument. There are several other foreclosure procedures available in some states that are either infrequently used or available only in certain limited circumstances, such as strict foreclosure.

Judicial Foreclosure

A judicial foreclosure proceeding is conducted in a court having jurisdiction over the mortgaged property. Generally, the action is initiated by the service of legal pleadings upon all parties having an interest of record in the real property. Delays in completion of the foreclosure may occasionally result from difficulties in locating necessary parties. If the mortgagee's right to foreclose is contested by the borrower or any of the applicable parties, the legal proceedings necessary to resolve the issue can be time-consuming. Upon successful completion of a judicial foreclosure proceeding, the court generally issues a judgment of foreclosure and appoints a referee or other officer to conduct a public sale of the mortgaged property, the proceeds of which are used to satisfy the judgment. Such sales are made in accordance with procedures that vary from state to state.

In response to an usually large number of foreclosures in recent years, a growing number of states have enacted laws that subject the holder to certain notice and/or waiting periods prior to commencing a foreclosure. In Massachusetts, the Attorney General's office may review and possibly terminate the foreclosure of any one- to four-family residential mortgage that is the borrower's principal dwelling. In some instances, these laws require the servicer of the mortgage to consider modification of the mortgage or an alternative option prior to proceeding with foreclosure. The effect of these laws has been to delay foreclosures in particular jurisdictions.

Equitable Limitations on Enforceability of Certain Provisions

In foreclosure, courts have imposed general equitable principles to limit the remedies available to a mortgagee in connection with foreclosure. The equitable principles are generally designed to relieve the borrower from the legal effect of its defaults under the loan documents. Examples of judicial remedies that have been fashioned include judicial requirements that the lender undertake affirmative and expensive actions to determine the causes for the borrower's default and the likelihood that the borrower will be able to reinstate the loan. In some cases, courts have substituted their judgment for the lender's judgment and have required that lenders reinstate loans or recast payment schedules in order to accommodate borrowers who are suffering from temporary financial disability. In other cases, courts have limited the right of the lender to foreclose if the default under the mortgage instrument is not monetary, such as the borrower's failure to adequately maintain the property or the borrower's execution of a second mortgage or deed of trust affecting the property. Finally, some courts have been faced with the issue of whether or not federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under deeds of trust or mortgages receive notices in addition to the statutorily-prescribed minimums. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust, or under a mortgage having a power of sale, does not involve sufficient state action to afford constitutional protection to the borrower.

Non-Judicial Foreclosure/Power of Sale

Foreclosure of a deed of trust is generally accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust which grants a power of sale upon any default by the borrower. A power of sale may also be contained in any other type of mortgage instrument. A power of sale allows a non-judicial public sale to be conducted generally following a request from the beneficiary/mortgagee to the trustee to sell the property upon any default by the mortgagor under the terms of the mortgage note or the mortgage instrument and after notice of sale is given in accordance with the terms of the mortgage instrument, as well as applicable state law. In some states, the trustee must record a notice of default and send a copy to the borrower-trustor and to any person who has recorded a request for a copy of notice of default and notice of sale. In addition, the trustee must provide notice in some states to any other individual having an interest of record in the real property, including any junior lienholders. A notice of sale must be posted in a public place and, in most states, published for a specific period of time in one or more newspapers in a specified manner prior to the date of trustee's sale. In addition, some state laws require that a copy of the notice of sale be posted on the property and sent to all parties having an interest of record in the real property.

In some states, the borrower-trustor has the right to reinstate the loan at any time following default until shortly before the trustee's sale. In general, in these states, the borrower, or any other person having a junior encumbrance on the real estate, may, during a reinstatement period, cure the default by paying the entire amount in arrears plus the costs and expenses incurred in enforcing the obligation. In other states, the mortgagor or the junior lienholder is not provided a period to reinstate the loan, but has only the right to pay off the entire debt to prevent the foreclosure sale. Generally, the procedure for public sale, the parties entitled to notice, the method of giving notice and the applicable time periods are governed by state law and vary among the states. Foreclosure of a deed to secure debt is also generally accomplished by a non-judicial sale similar to that required by a deed of trust, except that the mortgagee or its agent, rather than a trustee, is typically empowered to perform the sale in accordance with the terms of the deed to secure debt and applicable law.

Public Sale

In the case of foreclosure under either a mortgage or a deed of trust, the sale by the referee or other designated officer or by the trustee is a public sale. Because of the difficulty a potential buyer at the sale would have in determining the exact status of title and because the physical condition of the property may have deteriorated during the foreclosure proceedings, there may not be a third party to purchase the property at a foreclosure sale. In that case, the lender would typically purchase the property from the trustee or referee for a credit bid less than or equal to the unpaid principal amount of the note plus the accrued and unpaid interest and the expense of foreclosure, in which case the mortgagor's debt may be extinguished unless the lender purchases the property for a lesser amount in order to preserve its right against a borrower to seek a deficiency judgment and the remedy is available under state law and the related loan documents. In some states, there is a statutory minimum purchase price which the lender may offer for the property and generally, state law controls the amount of foreclosure costs and expenses, including attorneys' fees, which may be recovered by a lender. In states which have a statutory redemption period (see "Rights of Redemption"), subject to the right of the borrower in some states to remain in possession during the redemption period, the lender will assume the burdens of ownership, including obtaining hazard insurance, paying taxes and making the repairs at its own expense as are necessary to render the property suitable for sale. Generally, the lender will obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property and, in some states, the lender may be entitled to a deficiency judgment. Any loss may be reduced by the receipt of any mortgage insurance proceeds or overcollateralization.

Rights of Redemption

The purposes of a foreclosure action in respect of a mortgaged property is to enable the lender to realize upon its security and to bar the borrower, and all persons who have interests in the property that are subordinate to that of the foreclosing lender, from exercise of their "equity of redemption". The doctrine of equity of redemption provides that, until the property encumbered by a mortgage has been sold in accordance with a properly conducted foreclosure and foreclosure sale, those having interests that are subordinate to that of the foreclosing lender have an equity of redemption and may redeem the property by paying the entire debt with interest. Those having an equity of redemption must generally be made parties and joined in the foreclosure proceeding in order for their equity of redemption to be terminated.

The equity of redemption is a common-law (non-statutory) right which should be distinguished from post-sale statutory rights of redemption. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and foreclosed junior lienors are given a statutory period in which to redeem the property. In some states, statutory redemption may occur only upon payment of the foreclosure sale price. In other states, redemption may be permitted if the former borrower pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property because the exercise of a right of redemption would defeat the title of any purchase through a foreclosure. Consequently, the practical effect of the redemption right is to force the lender to maintain the property and pay the expenses of ownership until the redemption period has expired. In some states, a post-sale statutory right of redemption may exist following a judicial foreclosure, but not following a trustee's sale under a deed of trust.

Junior Lienholders

A junior mortgagee may not foreclose on the property securing a junior mortgage unless it forecloses subject to the senior mortgages. The junior mortgagee must either pay the entire amount due on the senior mortgages prior to or at the time of the foreclosure sale or undertake to pay on any senior mortgages on which the mortgagor is currently in default. Under either course of action, the junior mortgagee may add the amounts paid to the balance due on the junior loan, and may be subrogated to the rights of the senior mortgagees. In addition, in the event that the foreclosure of a junior mortgage triggers the enforcement of a "due-on-sale" clause, the junior mortgagee may be required to pay the full amount of the senior mortgages to the senior mortgagees. Accordingly, with respect to those loans which are junior mortgage loans, if the lender purchases the property, the lender's title will be subject to all senior liens and claims and governmental liens. The proceeds received by the referee or trustee from the sale are applied first to the costs, fees and expenses of sale and then in satisfaction of the indebtedness secured by the mortgage or deed of trust under which the sale was conducted. Any remaining proceeds are generally payable to the holders of junior mortgages or deeds of trust and other liens and claims in order of their priority, whether or not the borrower is in default. Any additional proceeds are generally payable to the mortgagor or trustor. The payment of the proceeds to the holders of junior mortgages may occur in the foreclosure action of the senior mortgagee or may require the institution of separate legal proceeds.

Anti-Deficiency Legislation and Other Limitations on Lenders

Single Family, Multifamily and Commercial Loans. Some states have imposed statutory prohibitions which limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states (including California), statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following non-judicial foreclosure by power of sale. A deficiency judgment is a personal judgment against the former borrower equal in most cases to the difference between the net amount realized upon the public sale of the real property and the amount due to the lender. In the case of a mortgage loan secured by a property owned by a trust where the mortgage note is executed on behalf of the trust, a deficiency judgment against the trust following foreclosure or sale under a deed of trust, even if obtainable under applicable law, may be of little value to the mortgagee or beneficiary if there are no trust assets against which the deficiency judgment may be executed. Some state statutes require the beneficiary or mortgagee to exhaust the security afforded under a deed of trust or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. In other states, the lender has the option of bringing a personal action against the borrower on the debt without first exhausting the security; however in some of these states, the lender, following judgment on the personal action, may be deemed to have elected a remedy and may be precluded from exercising remedies with respect to the security. Consequently, the practical effect of the election requirement, in those states permitting the election, is that lenders will usually proceed against the security first rather than bringing a personal action against the borrower. Finally, in some states, statutory provisions limit any deficiency judgment against the former borrower following a foreclosure to the excess of the outstanding debt over the fair value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or mortgagee from obtaining a large deficiency judgment against the former borrower as a result of low or no bids at the judicial sale.

In addition to laws limiting or prohibiting deficiency judgments, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of the secured mortgage lender to realize upon collateral or enforce a deficiency judgment. For example, under the Title 11 of the United States Code, as amended from time to time (the "Bankruptcy Code"), all actions related to the collection of a mortgage debt are automatically stayed upon the filing of the bankruptcy petition and, sometimes, no interest or principal payments are made for several months during the course of the bankruptcy case before relief from the automatic stay is obtained. The delay and the consequences thereof caused by the automatic stay can be significant. Also, under the Bankruptcy Code, the filing of a bankruptcy petition by or on behalf of a junior lienor may stay the senior lender from taking action to foreclose out the junior lien. Moreover, with respect to federal bankruptcy law, a court with federal bankruptcy jurisdiction may permit a debtor through his or her Chapter 11 or Chapter 13 rehabilitative plan to cure a default on any loan (including mortgage loans) by paying the arrearage within a reasonable time period over the course of the debtor's plan (which may be as long as five years under a Chapter 13 plan) and reinstating the original mortgage loan payment schedule even if the lender accelerated the mortgage loan and/or final judgment of foreclosure had been entered in state court (provided no sale of the collateral had yet occurred) prior to the filing of the debtor's petition.

Courts with federal bankruptcy jurisdiction have also indicated that the terms of a mortgage loan secured by property of the debtor may be modified. These courts have allowed modifications that include reducing the amount of each monthly payment, changing the rate of interest, altering the repayment schedule, forgiving all or a portion of the debt and reducing the lender's security interest to the value of the collateral, thus leaving the lender a general unsecured creditor for the difference between the value of the collateral and the outstanding balance of the loan. Generally, however, the terms of a mortgage loan secured only by a mortgage on real property that is the debtor's principal residence may not be modified pursuant to a plan confirmed pursuant to Chapter 13 except with respect to mortgage payment arrearages, which may be cured within a reasonable time period over the course of the debtor's plan.

In the case of income-producing multifamily properties, federal bankruptcy law may also have the effect of interfering with or affecting the ability of the secured lender to enforce the borrower's assignment of rents and leases related to the mortgaged property. Under Section 362 of the Bankruptcy Code, the lender will be stayed from enforcing the assignment, and the legal proceedings necessary to resolve the issue could be time-consuming, with resulting delays in the lender's receipt of the rents.

Tax liens arising under the Bankruptcy Code generally have priority over the lien of a mortgage or deed of trust. In addition, substantive requirements are imposed upon mortgage lenders in connection with the origination and the servicing of mortgage loans by numerous federal and some state consumer protection laws. These laws include TILA, RESPA, the Equal Credit Opportunity Act of 1974 ("ECOA"), the Fair Credit Billing Act of 1975 ("FCBA"), the Fair Credit Reporting Act of 1970 ("FCRA") and related statutes. These federal laws impose specific statutory liabilities upon lenders who originate mortgage loans and who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the Mortgage Loans. See further explanation below.

The Bankruptcy Code

A homeowner may file for relief under the Bankruptcy Code under any of three different chapters of the Bankruptcy Code. Under Chapter 7, the assets of the debtor are liquidated. If the value of the mortgage exceeds the value of the collateral, the trustee will typically surrender the asset to the lienholder. If the mortgagor has equity in the property, the trustee may conduct a sale of the asset and a mortgagee secured by a lien on the property may use the value of the indebtedness as currency at the sale. See "—Foreclosure" above. A homeowner may also file for relief under Chapter 11 of the Bankruptcy Code and reorganize his or her debts through his or her reorganization plan. Alternatively, a homeowner may file for relief under Chapter 13 of the Bankruptcy Code and address his or her debts in a rehabilitation plan. Chapter 13 is often referred to as the "wage earner chapter" or "consumer chapter" because most individuals seeking to restructure their debts file for relief under Chapter 13 rather than Chapter 11. Specifically, only individuals with unsecured debts of less that $360,475 and secured debts of less than $1,081,400 are eligible to file under Chapter 13. Individuals whose debts exceed these amounts and wish to reorganize must file under Chapter 11.

The Bankruptcy Code permits a mortgage loan that is secured by property that does not consist solely of the debtor's principal residence to be modified without the consent of the mortgagee provided certain substantive and procedural safeguards are met. In such circumstances, the mortgagee's security interest may be reduced to the then-current value of the property as determined by the court if the value is less than the amount due on the loan, thereby leaving the mortgagee as a general unsecured creditor for the difference between the value of the collateral and the outstanding balance of the mortgage loan. Such unsecured indebtedness will typically be discharged in full upon payment of a substantially reduced amount. Other modifications to a mortgage loan that is not secured solely of the debtor's principal residence may include a reduction in the amount of each monthly payment, which reduction may result from a reduction in the rate of interest, an alteration of the repayment schedule, an extension of the final maturity date, and/or a reduction in the outstanding balance of the secured portion of the loan. In certain circumstances, subject to the court's approval, a debtor in a case under Chapter 11 of the Bankruptcy Code may have the power to grant liens senior to the lien of a mortgage.

A reorganization plan under Chapter 11 and a rehabilitation plan under Chapter 13 of the Bankruptcy Code may each allow a debtor to cure a default with respect to a mortgage loan on such debtor's residence by paying arrearages over a period of time and to decelerate and reinstate the original mortgage loan payment schedule, even though the mortgagee accelerated the loan and a final judgment of foreclosure had been entered in state court (provided no sale of the property had yet occurred) prior to the filing of the debtor's petition under the Bankruptcy Code. Under a Chapter 13 plan, curing of defaults must be accomplished within the five year maximum term permitted for repayment plans, such term commencing when the repayment plan becomes effective, while defaults may be cured over a longer period of time under a Chapter 11 plan of reorganization.

Generally, a repayment plan in a case under Chapter 13 and a plan of reorganization under Chapter 11 may not modify the claim of a mortgagee if the mortgagor elects to retain the property, the property is the mortgagor's principal residence and the property is the mortgagee's only collateral. Certain courts have allowed modifications when the mortgage loan is secured both by the debtor's principal residence and by collateral that is not "inextricably bound" to the real property, such as appliances, machinery, or furniture.

The general protection for mortgages secured only by the debtor's principal residence is not applicable in a case under Chapter 13 if the last payment on the original payment schedule is due before the final date for payment under the debtor's Chapter 13 plan (which date could be up to five years after the debtor emerges from bankruptcy). Under several recently decided cases, the terms of such a loan can be modified in the manner described above. While these decisions are contrary to the holding in a prior case by a senior appellate court, it is possible that the later decisions will become the accepted interpretation in view of the language of the applicable statutory provision. If this interpretation is adopted by a court considering the treatment in a Chapter 13 repayment plan of a Mortgage Loan, it is possible that the Mortgage Loan could be modified.

In some circuits, Chapter 7 debtors have a "ride-through" option. In such circuits, the Chapter 7 debtor may elect to retain possession of property securing a debt, provided that the debtor is current under the related note. Thus, the property "rides through" the Chapter 7 proceeding. The effect is that the debtor retains possession of the property, but the debtor's personal liability under the note is discharged. The lender retains its *in rem* rights to foreclose on its security interest/lien if the debtor defaults under the note post-discharge. The lender, however, may not obtain a deficiency judgment against the debtor, as it would violate the discharge order. While the lender would not realize any immediate loss on the loan, it limits the potential sources of recovery for the loan to the collateral, and not the mortgagor.

State statutes and general principles of equity may also provide a mortgagor with means to halt a foreclosure proceeding or sale and to force a restructuring of a mortgage loan on terms a mortgagee would not otherwise accept.

In a bankruptcy or similar proceeding of a mortgagor, action may be taken seeking the recovery, as a preferential transfer or on other grounds, of any payments made by the mortgagor under the related mortgage loan prior to the bankruptcy or similar proceeding. Payments on mortgage debt are typically protected from recovery as preferences provided they are regular monthly payments made in the regular monthly payment amount due under the note, or if the value of the collateral exceeds the debt at the time of payment. Any payments made by a borrower within 90 days of the commencement of the bankruptcy case which are irregular, including payments above or outside the regular payment schedule, may be avoidable as preferential transfers, if such payments enabled the mortgagee to recover more that the mortgagee would be entitled to recover in a chapter 7 case. Whether any particular payment would be protected depends upon the facts specific to a particular transaction.

A trustee in bankruptcy is generally entitled to collect its costs and expenses in preserving or selling the mortgaged property ahead of a payment to the mortgagee. Moreover, the laws of certain states also give priority to certain tax and mechanics liens over the lien of a mortgage. Under the Bankruptcy Code, if the court finds that actions of the mortgagee have been unreasonable and inequitable, the lien of the related mortgage may be subordinated to the claims of unsecured creditors.

The Code provides priority to certain tax liens over the lien of the mortgage. In addition, substantive requirements are imposed upon mortgagees in connection with the origination, assignment and servicing of mortgage loans by numerous federal and some state consumer protection laws. These laws include TILA, RESPA, ECOA, FCBA, FCRA, the Home Ownership and Equity Protection Act of 1994, and similar statutes.

Environmental Risks

General. A mortgagee or the owner of REO Property may be subject to unforeseen environmental risks when taking a security interest in real or personal property or by owning real property, as the case may be. Properties may be subject to federal, state, and local laws and regulations relating to environmental protection. Such laws may regulate, in part: emissions of air pollutants; discharges of wastewater or storm water; generation, transport, storage or disposal of hazardous waste or hazardous substances; operation, closure and removal of underground storage tanks; removal and disposal of asbestos-containing materials; and management of equipment containing polychlorinated biphenyls ("PCBs). Failure to comply with such laws and regulations may result in significant penalties, including civil and criminal fines.

CERCLA and RCRA. Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), a secured party which takes a deed-in-lieu of foreclosure, purchases a mortgaged property at a foreclosure sale, or operates a mortgaged property may become liable for the costs of cleaning up hazardous substances regardless of whether they have contaminated the property. CERCLA imposes strict, as well as joint and several, liability on several classes of potentially responsible parties, including current owners and operators of a property, regardless of whether they caused or contributed to the contamination at that property. Furthermore, liability under CERCLA is not limited to the original or unamortized principal balance of a loan or to the value of the property securing a loan. Lenders may be held liable under CERCLA as owners or operators unless they qualify for the secured creditor exemption to CERCLA. This exemption exempts from the definition of owners and operators those who, without participating in the management of a facility, hold indicia of ownership primarily to protect a security interest in the facility.

The Asset Conservation, Lender Liability, and Deposit Insurance Protection Act of 1996 ("Asset Conservation Act") amended, among other things, the provisions of CERCLA related to lender liability and the secured creditor exemption. The Asset Conservation Act defines the ways in which a lender can engage in property management and cleanup but still retain the benefit of the secured creditor exemption. Under the Asset Conservation Act, a lender must actually participate in the operational affairs of a property to be deemed to have "participated in the management" of that property. The Asset Conservation Act provides that "merely having the capacity to influence, or the unexercised right to control" facility operations does not constitute participation in the management of that facility. The Asset Conservation Act also describes the circumstances in which a lender will lose the protection of the secured creditor exemption, such as where the lender exercises decision-making control over the borrower's environmental compliance and hazardous substance handling and disposal practices, or assumes day-to-day management of all operational functions of the mortgaged property. Finally, the Asset Conservation Act provides that the secured creditor exemption continues to protect a lender even if it forecloses on a mortgaged property, purchases a mortgaged property at a foreclosure sale or accepts a deed-in-lieu of foreclosure, provided that the lender seeks to sell the mortgaged property "at the earliest practicable, commercially reasonable time, on commercially reasonable terms, taking into account market conditions and legal and regulatory requirements."

Many states have statutes similar to CERCLA. Not all of these statutes include a secured creditor exemption.

Although the secured creditor exemption under CERCLA does not apply to petroleum products, the federal Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), contains a similar secured-creditor exemption for mortgagees with security interests in petroleum underground storage tanks ("USTs") or in real estate containing petroleum USTs. This exemption also applies to mortgagees that acquire title to petroleum USTs or facility or property on which such tanks are located. As under CERCLA, a mortgagee may lose its secured-creditor exemption and be held liable under RCRA as a UST owner or operator if the mortgagee or its employees or agents participate in the actual day-to-day management of the tank. In addition, depending on the circumstances, the secured-creditor exemption may be deemed to be unavailable if the mortgagee takes title to or possession of the UST or the real estate containing the UST.

Other Federal and State Laws. Other federal and state laws may impose liability on a secured party which takes a deed-in-lieu of foreclosure, purchases a mortgaged property at a foreclosure sale, or operates a mortgaged property on which contaminants other than CERCLA hazardous substances are present. Such "other" hazardous substances include petroleum, agricultural chemicals, hazardous wastes, asbestos-containing materials, radon, and lead-based paint. Residences built prior to 1989 may contain asbestos-containing materials, and residences built prior to 1978 may contain lead-based paint. Federal, state and local laws, regulations and ordinances govern the management, removal, encapsulation and disturbance of asbestos-containing material, and federal law requires owners of residential housing constructed prior to 1978 to disclose information on lead-based paint prior to the sale or lease of such housing.

The costs associated with the cleanup of environmental contamination can be substantial, and could become a liability of a trust fund and reduce the amounts otherwise distributable to the holders of the Certificates. Moreover, certain state statutes impose a lien for any cleanup costs incurred by the state on the property that is the subject of the cleanup costs. All subsequent liens on the property are generally subordinated to the lien and, in some states, even prior recorded liens are subordinated to such lien. In the latter states, the security interest of the Co-Trustee in a property that is subject to such a lien could be adversely affected.

Traditionally, many residential mortgage lenders have not taken steps to evaluate whether contaminants are present with respect to any mortgaged property prior to the origination of the mortgage loan or prior to foreclosure or accepting a deed-in-lieu of foreclosure. Accordingly, the Depositor has not made and will not make these evaluations prior to originating the secured contracts. Neither the Depositor nor the Servicer will be required by any agreement to undertake these evaluations prior to foreclosure or accepting a deed-in-lieu of foreclosure. The Depositor does not make any representations or warranties or assume any liability with respect to the absence or effect of contaminants on any related real property or any casualty resulting from the presence or effect of contaminants. However, the Servicer will not be obligated to foreclose on related real property or accept a deed-in-lieu of foreclosure if it knows or reasonably believes that there are material contaminated conditions on the property. A failure so to foreclose may reduce the amounts otherwise available to Certificateholders.

In addition, certain states condition the transfer of properties impacted by environmental contaminants upon the cleanup of such contamination. Under these state laws, a lender that assumes ownership through foreclosure, deed-in-lieu of foreclosure or otherwise may be required to address the contamination prior to selling or otherwise transferring the impacted property.

There are also common law causes of action with respect to contaminated properties, including actions based on toxic tort or nuisance. While it is more difficult to hold a lender liable under these common law causes of action, any unanticipated or uninsured liabilities of a borrower may jeopardize the borrower’s ability to meet is loan obligations.

Finally, federal, state, and local environmental regulations often change, and compliance with new regulatory requirements could impose significant costs on a borrower and jeopardize the ability of the borrower to meets its loan obligations.

Consumer Protection Laws

In addition, substantive requirements are imposed upon mortgage lenders in connection with the origination and the servicing of mortgage loans by numerous federal and some state consumer protection laws. These laws include TILA, as implemented by Regulation Z, RESPA, as implemented by Regulation X, ECOA, as implemented by Regulation B, FCBA, FCRA, and related statutes. These federal laws impose specific statutory liabilities upon lenders who originate mortgage loans and who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the mortgage loans. In particular, an originator’s failure to comply with certain requirements of TILA, as implemented by Regulation Z, could subject both originators and assignees of such obligations to monetary penalties and could result in obligors’ rescinding the mortgage loans either against the originators or assignees. Further, the failure of the borrower to use the correct form of notice of right to cancel in connection with non purchase money transactions could subject the originator and assignees to extended borrower rescission rights.

Homeownership Act and Similar State Laws

The Home Ownership and Equity Protection Act of 1994 (the “Homeownership Act”), which amended the Truth-in-Lending Act, provides requirements applicable to loans, known as High Cost Loans, that exceed certain interest rates and/or points and fees thresholds, if such loans were originated after October 1, 1995 and are not loans made to finance the purchase of the mortgaged property. The Homeownership Act requires certain additional disclosures, specifies the timing of those disclosures and limits or prohibits the inclusion of certain provisions in mortgages subject to the Homeownership Act. Purchasers or assignees of any High Cost Loan, including any trust, could be liable under federal law for all claims and subject to all defenses that the borrower could assert against the originator of the High Cost Loan under TILA or any other law, unless the purchaser or assignee did not know and could not with reasonable diligence have determined that the mortgage loan was subject to the provisions of the Homeownership Act. Remedies available to the borrower include monetary penalties, as well as rescission rights if the appropriate disclosures were not given as required or if the particular mortgage includes provisions prohibited by law. The maximum damages that may be recovered under these provisions from an assignee, including the trust, is the remaining amount of indebtedness plus the total amount paid by the borrower in connection with the mortgage loan.

In addition to the Homeownership Act, a number of legislative proposals have been introduced at the federal, state and local level that are designed to discourage predatory lending practices. Some states have enacted, or may enact, laws or regulations that prohibit inclusion of some provisions in mortgage loans that have interest rates or origination costs in excess of prescribed levels, and require that borrowers be given certain disclosures prior to the consummation of the mortgage loans. In some cases, state or local law may impose requirements and restrictions greater than those in the Homeownership Act. An originators' failure to comply with these laws could subject the Trust (and other assignees of the Mortgage Loans) to monetary penalties and could result in the borrowers rescinding the Mortgage Loans against either the Trust or subsequent holders of the Mortgage Loans.

Lawsuits have been brought in various states making claims against assignees of High Cost Loans for violations of state law allegedly committed by the originator. Named defendants in these cases include numerous participants within the secondary mortgage market, including some securitization trusts.

Under certain state laws enacted to combat predatory lending, lenders are required to ensure that the loan confers a net tangible benefit to the borrower or that the transaction in the "borrower's interest." This test may be highly subjective and open to interpretation. As a result, a court may determine that a mortgage loan does not meet the test even if the originator reasonably believed that the test was satisfied. Any determination by a court that the mortgage loan does not meet the test will result in a violation of the state anti predatory lending law, in which case the related seller will be required to purchase that Mortgage Loan from the Trust.

The Federal Reserve Board adopted a final rule to amend Regulation Z on July 14, 2008 (the "July Rule"). Notably, the July Rule, which took effect on October 1, 2009: (i) created a new category of loans called "higher-priced mortgage loans"; (ii) instituted new protections for both this new category of "higher-priced mortgage loans" as well as for the existing category of "high cost mortgages" under the Homeownership Act; (iii) enacted certain prohibited acts and practices for all closed-end credit transactions secured by a consumer's principal dwelling; (iv) revised the disclosures required in advertisements for credit secured by a consumer's dwelling and prohibited certain practices in connection with closed-end mortgage advertising; and (v) required disclosures for closed-end mortgages secured by a consumer's principal dwelling to be provided earlier in the transaction and before consumers pay any fee except for a fee for obtaining a consumer's credit history. Failure to comply with the requirements applicable to "higher-priced mortgaged loans" may expose the originators and any of its assignees to civil liability under TILA. In addition, a number of states including Maryland, North Carolina and New York have enacted their own versions of the July Rule, and in some instances, the civil penalties and assignee liability exposure is more stringent under these state laws than the federal law.

Enforceability of Certain Provisions

"Due-on-Sale" Clauses. The Mortgage Loans generally contain due-on-sale clauses. These clauses permit the lender to accelerate the maturity of the loan if the borrower sells, transfers or conveys the property without the prior consent of the lender. The enforceability of these clauses has been the subject of legislation or litigation in many states, and in some cases the enforceability of these clauses was limited or denied. However, The Garn-St Germain Depository Institutions Act of 1982 (the "Garn-St Germain Act") preempts state constitutional, statutory and case law that prohibits the enforcement of due-on-sale clauses and permits lenders to enforce these clauses in accordance with their terms, subject to limited exceptions. The Garn-St Germain Act does "encourage" lenders to permit assumption of loans at the original rate of interest or at some other rate less than the average of the original rate and the market rate. "Due-on-sale" clauses contained in mortgage loans originated by federal savings and loan associations or federal savings banks are fully enforceable pursuant to regulations of the Office of Thrift Supervision ("OTS"), as successor to the Federal Home Loan Bank Board ("FHLBB"), which preempt state law restrictions on the enforcement of such clauses. Similarly, "due-on-sale" clauses in mortgage loans made by national banks and

federal credit unions are now fully enforceable pursuant to preemptive regulations of the Comptroller of the Currency and the National Credit Union Administration, respectively.

The Garn-St Germain Act also sets forth certain specific instances applicable to loans secured by the residence of the borrower where a mortgage lender covered by the Garn-St Germain Act may not exercise due-on-sale clause, notwithstanding the fact that a transfer of the property may have occurred. These include, amongst others, intra-family transfers, some transfers by operation of law, leases of fewer than three years and the creation of a junior encumbrance. Regulations promulgated under the Garn-St Germain Act also prohibit the imposition of a prepayment penalty upon the acceleration of a loan pursuant to a due-on-sale clause.

The inability to enforce a due-on-sale clause may result in a mortgage loan bearing an interest rate below the current market rate being assumed by the buyer rather than being paid off, which may have an impact upon the average life of the mortgage loans and the number of mortgage loans which may be outstanding until maturity.

Subordinate Financing

When the mortgagor encumbers mortgaged property with one or more junior liens, the senior lender is subjected to additional risk. First, the mortgagor may have difficulty servicing and repaying multiple loans. In addition, if the junior loan permits recourse to the mortgagor (as junior loans often do) and the senior loan does not, a mortgagor may be more likely to repay sums due on the junior loan than those on the senior loan. Second, acts of the senior lender that prejudice the junior lender or impair the junior lender's security may create a superior equity in favor of the junior lender. For example, if the mortgagor and the senior lender agree to an increase in the principal amount of or the interest rate payable on the senior loan, the senior lender may lose its priority to the extent an existing junior lender is harmed or the mortgagor is additionally burdened. Third, if the mortgagor defaults on the senior loan and/or any junior loan or loans, the existence of junior loans and actions taken by junior lenders can impair the security available to the senior lender and can interfere with or delay the taking of action by the senior lender. Moreover, the bankruptcy of a junior lender may operate to stay foreclosure or similar proceedings by the senior lender.

Alternative Mortgage Instruments

Alternative mortgage instruments, including adjustable rate mortgage loans and early ownership mortgage loans, originated by non-federally chartered lenders historically have been subjected to a variety of restrictions. The restrictions differed from state to state, resulting in difficulties in determining whether a particular alternative mortgage instrument originated by a state-chartered lender was in compliance with applicable law. These difficulties were alleviated substantially as a result of the enactment of Title VIII of the Garn-St Germain Act ("Title VIII") which applies to a loan secured by a first or subordinate lien on residential real property that is either (i) an adjustable rate mortgage loan or (ii) a loan that has a feature not common to traditional fixed-rate, fixed term transactions. Title VIII provides that, notwithstanding any state law to the contrary, (1) state-chartered banks may originate alternative mortgage instruments in accordance with regulations promulgated by the Comptroller of the Currency with respect to origination of alternative mortgage instruments by national banks,(2) state-chartered credit unions may originate alternative mortgage instruments in accordance with regulations promulgated by the National Credit Union Administration with respect to origination of alternative mortgage instruments by federal credit unions, and (3) all other non-federally chartered housing creditors, including state-chartered savings and loan associations, state-chartered savings banks and mutual savings banks and mortgage banking companies, may originate alternative mortgage instruments in accordance with the regulations promulgated by the Federal Home Loan Bank Board, or its successor agency, the Office of Thrift Supervision, with respect to origination of alternative mortgage instruments by federal savings and loan associations. Title VIII provides that any state may reject applicability of the provisions of Title VIII by adopting, prior to October 15, 1985, a law or constitutional provision expressly rejecting the applicability of the provisions. Some states have taken this action. Title VIII may not be used by non-federally chartered lenders to preempt state prepayment charges with respect to loan originated after July 1, 2003.

Forfeitures in Drug and RICO Proceedings

Federal law provides that property purchased or improved with assets derived from criminal activity, or otherwise tainted or used in the commission of certain offenses can be seized by or ordered forfeited to the United States of America. The offenses which can trigger such a seizure and forfeiture include, among other, violations of the Racketeer Influenced and Corrupt Organizations Statute ("RICO"), the Bank Secrecy Act of 1970, the anti-money laundering laws and regulations, including The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act") and the regulations issued pursuant to the USA PATRIOT Act, as well as narcotic drug laws. Under procedures contained in the Crime Control Act, the government may seize the property even before conviction. The government must publish notice of the forfeiture proceeding and may give notice to all parties "known to have an alleged interest in the property", including the holders of mortgage loans.

A lender may avoid forfeiture of its interest in the property if it establishes that: (1) its mortgage was executed and recorded before commission of the crime upon which the forfeiture is based, or (2) the lender was, at the time of execution of the mortgage, "reasonably without cause to believe" that the property was used in, or purchased with the proceeds of, illegal drug or RICO activities.

Junior Mortgages

Some of the Mortgage Loans may be secured by mortgages or deeds of trust which are junior to senior mortgages or deeds of trust which are not part of the trust fund. The rights of the security holders, as mortgagee under a junior mortgage, are subordinate to those of the mortgagee under the senior mortgage, including the prior rights of the senior mortgagee to receive hazard insurance and condemnation proceeds and to cause the property securing the mortgage loan to be sold upon default of the mortgagor, which may extinguish the junior mortgagee's lien unless the junior mortgagee asserts its subordinate interest in the property in foreclosure litigation and, in some cases, either reinitiates or satisfies the defaulted senior loan or loans. A junior mortgagee may satisfy a defaulted senior loan in full or, in some states, may cure the default and bring the senior loan current thereby reinstating the senior loan, in either event usually adding the amounts expended to the balance due on the junior loan. In most states, absent a provision in the mortgage or deed of trust, no notice of default is required to be given to a junior mortgagee. Where applicable law or the terms of the senior mortgage or deed of trust do not require notice of default to the junior mortgagee, the lack of this notice may prevent the junior mortgagee from exercising any right to reinstate the loan which applicable law may provide.

The standard form of the mortgage or deed of trust used by most institutional lenders confers on the mortgagee the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with condemnation proceedings, and, for residential mortgage loans, to apply the proceeds and awards to any indebtedness secured by the mortgage or deed of trust, in the order the mortgagee may determine; for multifamily and commercial mortgage loans, such proceeds are frequently made available for restoration of the improvements subject to conditions set forth in the mortgage loan documents. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the mortgagee or beneficiary under the underlying senior mortgages will have the prior right to collect any insurance proceeds payable under a hazard insurance policy and any award of damages in connection with the condemnation and to apply the same to the indebtedness secured by the senior mortgages, or for multifamily and commercial mortgage loans, make the proceeds available for restoration of the improvements, subject to conditions set forth in the mortgage loan documents. Proceeds in excess of the amount of senior mortgage indebtedness, in most cases, may be applied to the indebtedness of junior mortgages in the order of their priority.

Another provision sometimes found in the form of the mortgage or deed of trust used by institutional lenders obligates the mortgagor to pay before delinquency all taxes and assessments on the property and, when due, all encumbrances, charges and liens on the property which are prior to the mortgage or deed of trust, to provide and maintain fire insurance on the property, to maintain and repair the property and not to commit or permit any waste thereof, and to appear in and defend any action or proceeding purporting to affect the property or the rights of the mortgagee under the mortgage. Upon a failure of the mortgagor to perform any of these obligations, the mortgagee or beneficiary is given the right under some mortgages or deeds of trust to perform the obligation itself, at its election, with the mortgagor agreeing to reimburse the mortgagee for any sums expended by the mortgagee on behalf of the mortgagor. All sums so expended by a senior mortgagee become part of the indebtedness secured by the senior mortgage.

CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES

IRS Circular 230 Notice

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS INFORMATION MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY TAXPAYERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON TAXPAYERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS INFORMATION MEMORANDUM; AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The following is a general discussion of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the Certificates. This discussion has been prepared with the advice of SNR Denton US LLP, counsel to the Depositor. This discussion is directed solely to Certificateholders that hold the Certificates as capital assets within the meaning of Section 1221 of the Code and does not purport to discuss all federal income tax consequences that may be applicable to particular categories of investors, some of which (such as banks, insurance companies and foreign investors) may be subject to special rules. Further, the authorities on which this discussion, and the opinion referred to below, are based are subject to change or differing interpretations, which could apply retroactively. Taxpayers and preparers of tax returns (including those filed by any real estate mortgage investment conduit or other issuer) should be aware that under applicable U.S. Treasury regulations a provider of advice on specific issues of law is not considered an income tax return preparer unless the advice (i) is given with respect to events that have occurred at the time the advice is rendered and is not given with respect to the consequences of contemplated actions, and (ii) is directly relevant to the determination of an entry on a tax return. Accordingly, taxpayers should consult their own tax advisors and tax return preparers regarding the preparation of any item on a tax return, even where the anticipated tax treatment has been discussed herein. In addition to the federal income tax consequences described herein, potential investors should consider the state and local tax consequences, if any, of the purchase, ownership and disposition of the Certificates. Certificateholders are advised to consult their own tax advisors concerning the federal, state, local or other tax consequences to them of the purchase, ownership and disposition of the Certificates offered hereunder. For purposes of this section, “Certificateholder” and “Holder” are defined as the beneficial owner of a Certificate. “Residual Certificates” are defined as the Class RV-I Certificates and the Class RV-II Certificates. “Regular Certificates” are defined as the Class A Certificates.

The following discussion is based in part upon the rules governing original issue discount that are set forth in Sections 1271-1273 and 1275 of the Code and in the U.S. Treasury regulations issued thereunder (the “OID Regulations”), and in part upon Sections 860A-860G of the Code (the “REMIC Provisions”) and the Treasury regulations issued thereunder (the “REMIC Regulations”). The OID Regulations do not adequately address certain issues relevant to, and in some instances provide that they are not applicable to, securities such as the Regular Certificates.

Classification of the REMICs

Upon the issuance of the Certificates, SNR Denton US LLP, counsel to the Depositor, will deliver its opinion generally to the effect that, assuming compliance with all provisions of the Trust Agreement, each of the designated portions of the trust which elect to be treated as a “REMIC” will each qualify as a real estate mortgage investment conduit (“REMIC”) under the Code. For federal income tax purposes, (i) each class of Residual Certificates will represent the sole class of “residual interests” in each REMIC elected by the trust and (ii) the

Regular Certificates will represent the "regular interests" in, and generally will be treated as debt instruments of, a REMIC.

If an entity electing to be treated as a REMIC, such as the trust, fails to comply with one or more of the ongoing requirements of the Code for such status during any taxable year, the Code provides that the entity will not be treated as a REMIC for such year and thereafter. In that event, such entity may be taxable as a corporation under Treasury regulations, and the related REMIC certificates may not be accorded the status or given the tax treatment described below. Although the Code authorizes the Treasury Department to issue regulations providing relief in the event of an inadvertent termination of REMIC status, no such regulations have been issued. Any such relief, moreover, may be accompanied by sanctions, such as the imposition of a corporate tax on all or a portion of the trust's income for the period in which the requirements for such status are not satisfied. The Trust Agreement will include provisions with respect to the trust designed to maintain each REMIC's status as a REMIC under the REMIC Provisions. It is not anticipated that the status of any REMIC as a REMIC will be inadvertently terminated.

Characterization of Investments in Regular Certificates

Each holder of a Regular Certificate is deemed to own an undivided beneficial ownership interest in a REMIC regular interest.

The Regular Certificates will be treated as assets described in Section 7701(a)(19)(C) of the Code, and as "real estate assets" under Section 856(c)(5)(B) of the Code, generally, in the same proportion that the assets of the trust, exclusive of the assets not included in any REMIC, would be so treated. In addition, the interest derived from each class of the Regular Certificates will be "interest on obligations secured by interests in real property" for purposes of section 856(c)(3) of the Code, subject to the same limitation in the preceding sentence.

The holders of the Regular Certificates will be required to include in income interest on their certificates in accordance with the accrual method of accounting.

Taxation of Owners of Regular Certificates

General. Except as otherwise stated in this discussion, the Regular Certificates will be treated for federal income tax purposes as debt instruments issued by a REMIC. Moreover, Holders of Regular Certificates that otherwise report income including stated interest under a cash method of accounting will be required to report income with respect to the Regular Certificates under an accrual method.

Original Issue Discount. For federal income tax reporting purposes, the Regular Certificates will be issued with original issue discount.

Any holders of Regular Certificates issued with original issue discount generally will be required to include original issue discount in income as it accrues, in accordance with the method described below, in advance of the receipt of the cash attributable to such income. In addition, Section 1272(a)(6) of the Code provides special rules applicable to any Regular Certificates issued with original issue discount. Regulations have not been issued under that section.

Section 1272(a)(6) of the Code requires that a prepayment assumption be used with respect to the underlying debt instruments in computing the accrual of original issue discount if payments under the issued debt instruments may be accelerated by reason of prepayments of such underlying debt instruments, and that adjustments be made in the amount and rate of accrual of such discount to reflect differences between the actual prepayment rate and such prepayment assumption. Such prepayment assumption is to be determined in a manner prescribed in Treasury regulations; however, as noted above, those regulations have not been issued. The Conference Committee Report (the "Committee Report") of the Tax Reform Act of 1986 indicates that the regulations will provide that the prepayment assumption used with respect to a Regular Certificate for federal income tax purposes must be the same as that used in pricing the initial offering of such Certificate. The prepayment assumption that will be used in determining the rate of accrual of original issue discount, if any, for federal income tax purposes (the "Tax Prepayment Assumption") is the Prepayment Assumption described in "Yield, Prepayment and Maturity

Considerations—Weighted Average Life." No representation is made that the Mortgage Loans will prepay at such rate or at any other rate.

The original issue discount, if any, on a Regular Certificate will be the excess of its stated redemption price at maturity over its issue price. The issue price of a particular class of Regular Certificates will be the first cash price at which a substantial amount of Regular Certificates of that class is sold (excluding sales to bond houses, brokers and underwriters). If less than a substantial amount of a particular class of Regular Certificates is sold for cash on or prior to the date of their initial issuance Closing Date, the issue price for such class will be the fair market value of such class on the Closing Date. Under the OID Regulations, the stated redemption price of a Regular Certificate is equal to the total of all payments to be made on such Regular Certificate other than "qualified stated interest." Qualified stated interest is interest that is unconditionally payable at least annually (during the entire term of the instrument) at a single fixed-rate, or at a "qualified floating rate," an "objective rate," a combination of a single fixed-rate and one or more "qualified floating rates" or one "qualified inverse floating rate," or a combination of "qualified floating rates" that does not operate in a manner that accelerates or defers interest payments on such Regular Certificate.

Notwithstanding the general definition of original issue discount, original issue discount on a Regular Certificate will be considered to be de minimis if it is less than 0.25% of the stated redemption price of the Regular Certificate multiplied by its weighted average life. For this purpose, the weighted average life of the Regular Certificate is computed as the sum of the amounts determined, as to each payment included in the stated redemption price of such Regular Certificate, by multiplying (i) the number of complete years (rounding down for partial years) from the issue date until such payment is expected to be made (presumably taking into account the Tax Prepayment Assumption) by (ii) a fraction, the numerator of which is the amount of the payment, and the denominator of which is the stated redemption price at maturity of such Regular Certificate. Under the OID Regulations, original issue discount of only a de minimis amount will be included in income as each payment of stated principal is made, based on the product of the total amount of such de minimis original issue discount and a fraction, the numerator of which is the amount of such principal payment and the denominator of which is the outstanding stated principal amount of the Regular Certificate. The OID Regulations also would permit a Certificateholder to elect to accrue de minimis original issue discount into income currently based on a constant yield method.

If original issue discount on a Regular Certificate is in excess of a de minimis amount, the Holder of such Regular Certificate must include in ordinary gross income the sum of the "daily portions" of original issue discount for each day during its taxable year on which it held such Regular Certificate, including the purchase date but excluding the disposition date. In the case of an original Holder of a Regular Certificate, the daily portions of original issue discount will be determined as follows. As to each Interest Accrual Period, a calculation will be made of the portion of the original issue discount that accrued during such accrual period. The portion of original issue discount that accrues in any accrual period will equal the excess, if any, of (i) the sum of (A) the present value, as of the end of the accrual period, of all of the distributions remaining to be made on the Regular Certificate, if any, in future periods and (B) the distributions made on such Regular Certificate during the accrual period of amounts included in the stated redemption price, over (ii) the adjusted issue price of such Regular Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated (i) assuming that distributions on the Regular Certificate will be received in future periods based on the Mortgage Loans being prepaid at rates equal to the Tax Prepayment Assumption, (ii) using a discount rate equal to the original yield to maturity of the Regular Certificate and (iii) taking into account events (including actual prepayments) that have occurred before the close of the accrual period. For these purposes, the original yield to maturity of the Regular Certificate will be calculated based on its issue price and assuming that distributions on the Regular Certificate will be made in all accrual periods based on the Mortgage Loans being prepaid at rates equal to the Tax Prepayment Assumption. The adjusted issue price of a Regular Certificate at the beginning of any accrual period will equal the issue price of such Regular Certificate, increased by the aggregate amount of original issue discount that accrued with respect to such Regular Certificate in prior accrual periods, and reduced by the amount of any distributions made on such Regular Certificate in prior accrual periods of amounts included in the stated redemption price. The original issue discount accruing during any accrual period, computed as described above, will be allocated ratably to each day during the accrual period to determine the daily portion of original issue discount for such day.

A subsequent purchaser of a Regular Certificate that purchases such Regular Certificate at a cost (excluding any portion of such cost attributable to accrued qualified stated interest) less than its remaining stated redemption price will also be required to include in gross income the daily portions of any original issue discount with respect to such Regular Certificate. However, each such daily portion will be reduced, if such cost is in excess of its "adjusted issue price," in proportion to the ratio such excess bears to the aggregate original issue discount remaining to be accrued on such Regular Certificate. The adjusted issue price of a Regular Certificate on any given day equals the sum of (i) the adjusted issue price (or, in the case of the first accrual period, the issue price) of such Regular Certificate at the beginning of the accrual period which includes such day and (ii) the daily portions of original issue discount for all days during such accrual period prior to such day.

If the method for computing original issue discount described above results in a negative amount for any period with respect to a holder of Regular Certificates (a "Regular Certificateholder"), the amount of original issue discount allocable to that period would be zero and the Regular Certificateholder will be permitted to offset that negative amount only against future original issue discount, if any, attributable to those Regular Certificates.

Market Discount. A Certificateholder that purchases a Regular Certificate at a market discount, that is, in the case of a Regular Certificate issued without original issue discount, at a purchase price less than its remaining stated principal amount or, in the case of a Regular Certificate issued with original issue discount, at a purchase price less than its adjusted issue price, will recognize gain upon receipt of each distribution representing stated redemption price.

In particular, under Section 1276 of the Code such a Certificateholder generally will be required to allocate the portion of each such distribution representing stated redemption price first to accrued market discount not previously included in income, and to recognize ordinary income to that extent. A Certificateholder may elect to include market discount in income currently as it accrues rather than including it on a deferred basis in accordance with the foregoing. If made, such election will apply to all market discount bonds acquired by such Certificateholder on or after the first day of the first taxable year to which such election applies. In addition, the OID Regulations permit a Certificateholder to elect to accrue all interest, discount (including de minimis market or original issue discount) in income as interest, and to amortize premium, based on a constant yield method. If such an election were made with respect to a Regular Certificate with market discount, the Certificateholder would be deemed to have made an election to include currently market discount in income with respect to all other debt instruments having market discount that such Certificateholder acquires during the taxable year of the election or thereafter, and possibly previously acquired instruments. Similarly, a Certificateholder that made this election for a Regular Certificate that is acquired at a premium would be deemed to have made an election to amortize bond premium with respect to all debt instruments having amortizable bond premium that such Certificateholder owns or acquires. See "—Taxation of Owners of Regular Certificates—*Premium*" below. Each of these elections to accrue interest, discount and premium with respect to a Regular Certificate on a constant yield method or as interest may not be revoked without the consent of the U.S. Internal Revenue Service ("IRS").

However, market discount with respect to a Regular Certificate will be considered to be de minimis for purposes of Section 1276 of the Code if such market discount is less than 0.25% of the remaining stated redemption price of such Regular Certificate multiplied by the number of complete years to maturity remaining after the date of its purchase. In interpreting a similar rule with respect to original issue discount on obligations payable in installments, the OID Regulations refer to the weighted average maturity of obligations, and it is likely that the same rule will be applied with respect to market discount, presumably taking into account the Tax Prepayment Assumption. If market discount is treated as de minimis under this rule, it appears that the actual discount would be treated as described in the first sentence of the preceding paragraph. Such treatment may result in discount being included in income at a slower rate than discount would be required to be included in income using the method described above.

Section 1276(b)(3) of the Code specifically authorizes the U.S. Treasury to issue regulations providing for the method for accruing market discount on debt instruments, the principal of which is payable in more than one installment. Until regulations are issued by the U.S. Treasury, certain rules described in the Committee Report apply. The Committee Report indicates that in each accrual period market discount on Regular Certificates should accrue, at the Certificateholder's option: (i) on the basis of a constant yield method, (ii) in the case of a Regular Certificate issued without original issue discount, in an amount that bears the same ratio to the total remaining market discount as the stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the Regular Certificate as of the beginning of the accrual period or (iii) in the case of a Regular Certificate issued with original issue discount, in an amount that bears the same ratio to the total remaining market discount as the original issue discount accrued in the accrual period bears to the total original issue discount remaining on the Regular Certificate at the beginning of the accrual period. Moreover, the Tax Prepayment Assumption is used in calculating the accrual of market discount. Because the regulations referred to in this paragraph have not been issued, it is not possible to predict what effect such regulations might have on the tax treatment of a Regular Certificate purchased at a discount in the secondary market.

To the extent that Regular Certificates provide for monthly or other periodic distributions throughout their term, the effect of these rules may be to require market discount to be includible in income at a rate that is not significantly slower than the rate at which such discount would accrue if it were original issue discount. Moreover, in any event a Holder of a Regular Certificate generally will be required to treat a portion of any gain on the sale or exchange of such Regular Certificate as ordinary income to the extent of the market discount accrued to the date of disposition under one of the foregoing methods, less any accrued market discount previously reported as ordinary income.

Further, under Section 1277 of the Code a Holder of a Regular Certificate may be required to defer a portion of its interest deductions for the taxable year attributable to any indebtedness incurred or continued to purchase or carry a Regular Certificate purchased with market discount. For these purposes, the de minimis rule referred to above applies. Any such deferred interest expense would not exceed the market discount that accrues during such taxable year and is, in general, allowed as a deduction not later than the year in which such market discount is includible in income. If such Holder elects to include market discount in income currently as it accrues on all market discount instruments acquired by such Holder in that taxable year or thereafter, the interest deferral rule described above will not apply.

Premium. A Regular Certificate purchased at a cost (excluding any portion of such cost attributable to accrued qualified stated interest) greater than its remaining stated redemption price will be considered to be purchased at a premium. The Holder of such a Regular Certificate may elect under Section 171 of the Code to amortize such premium under the constant yield method over the life of the Regular Certificate. If made, such an election will apply to all debt instruments having amortizable bond premium that the Holder owns or subsequently acquires. Amortizable premium will be treated as an offset to interest income on the related debt instrument, rather than as a separate interest deduction. The OID Regulations also permit Certificateholders to elect to include all interest, discount and premium in income based on a constant yield method, further treating the Certificateholder as having made the election to amortize premium generally. See "—Taxation of Owners of Regular Certificates—*Market Discount*" above. The Committee Report states that the same rules that apply to accrual of market discount (which rules will require use of a prepayment assumption for accruing market discount with respect to Regular Certificates without regard to whether such Regular Certificates have original issue discount) will also apply in amortizing bond premium under Section 171 of the Code. Whether any Holder of the Regular Certificates will be treated as holding a certificate with amortizable bond premium will depend on such Certificateholder's purchase price and the distributions remaining to be made on such Regular Certificate at the time of its acquisition by such Certificateholder. Holders of such classes of Regular Certificates should consult their tax advisors regarding the possibility of making an election to amortize such premium.

Realized Losses. Under Section 166 of the Code, both corporate holders of Regular Certificates and noncorporate holders of Regular Certificates that acquire such Regular Certificates in connection with a trade or business should be allowed to deduct, as ordinary losses, any losses sustained during a taxable year in which their Regular Certificates become wholly or partially worthless as the result of one or more Realized Losses on the Mortgage Loans that are allocable to such Regular Certificates. However, it appears that a noncorporate holder that does not acquire a Regular Certificate in connection with its trade or business will not be entitled to deduct a loss under Section 166 of the Code until such holder's Regular Certificate becomes wholly worthless (i.e., until its Certificate Principal Balance has been reduced to zero) and that the loss will be characterized as a short-term capital loss.

Each holder of a Regular Certificate will be required to accrue interest and original issue discount with respect to such Regular Certificate, without giving effect to any reductions in distributions attributable to a default or delinquency on the Mortgage Loans until it can be established that any such reduction ultimately will not be recoverable. As a result, the amount of taxable income reported in any period by the holder of a Regular Certificate could exceed the amount of economic income actually realized by the holder in such period. Although the holder of a Regular Certificate eventually will recognize a loss or reduction in income attributable to previously accrued and included income that as the result of a Realized Loss ultimately will not be realized, the law is unclear with respect to the timing and character of such loss or reduction in income.

Taxation of Owners of Residual Certificates

General. The Residual Certificates will be subject to tax rules that differ significantly from those that would apply if the Residual Certificates were treated for federal income tax purposes as direct ownership interests in the Mortgage Loans or as debt instruments issued by the REMIC.

An owner of a Residual Certificate generally will be required to report its daily portion of the taxable income or, subject to the limitations noted in this discussion, the net loss of each REMIC for each day during a calendar quarter that such holder owned a Residual Certificate. For this purpose, the taxable income or net loss of a REMIC will be allocated to each day in the calendar quarter ratably using a "30 days per month/90 days per quarter/360 days per year" convention. The daily amounts so allocated will then be allocated among the holders of Residual Certificates (the "Residual Certificateholders") in proportion to their respective ownership interests on such day. Any amount included in the gross income or allowed as a loss of any Residual Certificateholder by virtue of this paragraph will be treated as ordinary income or loss. The taxable income of each REMIC will be determined under the rules described below in "*—Taxable Income of the REMICs*" and will be taxable to the related Residual Certificateholders without regard to the timing or amount of cash distributions by such REMIC. Ordinary income derived from Residual Certificates will be "portfolio income" for purposes of the taxation of taxpayers subject to limitations under Section 469 of the Code on the deductibility of "passive losses."

A holder of a Residual Certificate that purchased such Certificate from a prior holder of such Certificate also will be required to report on its federal income tax return amounts representing its daily share of the taxable income (or net loss) of each REMIC for each day that it holds such Residual Certificate. Those daily amounts generally will equal the amounts of taxable income or net loss determined as described above. The Committee Report indicates that certain modifications of the general rules may be made, by regulations, legislation or otherwise to reduce (or increase) the income of a Residual Certificateholder that purchased such Residual Certificate from a prior holder of such Certificate at a price greater than (or less than) the adjusted basis (as defined below) such Residual Certificate would have had in the hands of an original holder of a Residual Certificate. The REMIC Regulations, however, do not provide for any such modifications.

Any payments received by a holder of a Residual Certificate in connection with the acquisition of such Residual Certificate will be taken into account in determining the income of such holder for federal income tax purposes. Although it appears likely that any such payment would be includible in income immediately upon its receipt, the IRS might assert that such payment should be included in income over time according to an amortization schedule or according to some other method. Because of the uncertainty concerning the treatment of such payments, holders of Residual Certificates should consult their tax advisors concerning the treatment of such payments for income tax purposes.

As discussed above, the rules for accrual of original issue discount with respect to the Regular Certificates are subject to significant complexity and uncertainty. Because original issue discount on such classes of Certificates will be deducted by the trust fund in determining its taxable income, any changes required by the IRS in the application of those rules to such Certificates may significantly affect the timing of original issue discount deductions to the trust fund and therefore the amount of the trust fund's taxable income allocable to holders of the Residual Certificates.

The amount of income Residual Certificateholders will be required to report (or the tax liability associated with such income) may exceed the amount of cash distributions received from the related REMIC for the corresponding period. Consequently, Residual Certificateholders should have other sources of funds sufficient to pay any federal income taxes due as a result of their ownership of Residual Certificates or unrelated deductions against which income may be offset, subject to the rules relating to "excess inclusions," residual interests without "significant value" and "noneconomic" residual interests discussed below. The fact that the tax liability associated with the income allocated to Residual Certificateholders may exceed the cash distributions received by such Residual Certificateholders for the corresponding period may significantly adversely affect such Residual Certificateholders' after-tax rate of return.

Taxable Income of the REMICs. The taxable income of each REMIC will equal the income from the Mortgage Loans and other assets of such REMIC plus any cancellation of indebtedness income due to the allocation of realized losses to the Regular Certificates, or the related non-certificated regular interests, as applicable, less the deductions allowed to such REMIC for interest (including original issue discount and reduced by any premium on issuance) on the Regular Certificates or the related non-certificated regular interests, as applicable, amortization of any premium on the Mortgage Loans, bad debt deductions with respect to the Mortgage Loans and, except as described below, for servicing, administrative and other expenses.

For purposes of determining its taxable income, each REMIC will have an initial aggregate basis in its assets equal to the sum of the issue prices of all Certificates (or, if a class of Certificates is not sold initially, their fair market values). Such aggregate basis will be allocated among the Mortgage Loans and the other assets of each REMIC in proportion to their respective fair market values. The issue price of any Certificates offered hereby will be determined in the manner described above under "—Taxation of Owners of Regular Certificates—*Original Issue Discount*." The issue price of a Certificate received in exchange for an interest in the Mortgage Loans or other property will equal the fair market value of such interests in the Mortgage Loans or other property. Accordingly, if one or more classes of Certificates are retained initially rather than sold, the Co-Trustee may be required to estimate the fair market value of such interests in order to determine the basis of each REMIC in the Mortgage Loans and other property held by each REMIC.

Subject to possible application of the *de minimis* rules, the method of accrual by a REMIC of original issue discount income and market discount income with respect to Mortgage Loans and other assets that it holds will be equivalent to the method for accruing original issue discount income for holders of Regular Certificates (that is, under the constant yield method taking into account the Tax Prepayment Assumption). However, a REMIC that acquires loans and other assets at a market discount must include such discount in income currently, as it accrues, on a constant yield basis. See *"—Taxation of Owners of Regular Certificates—Market Discount"* above, which describes a method for accruing such discount income that is analogous to that required to be used by a REMIC as to Mortgage Loans with market discount that it holds.

A Mortgage Loan will be deemed to have been acquired with discount (or premium) to the extent that the related REMIC's basis therein, determined as described in the preceding paragraph, is less than (or greater than) its stated redemption price. Any such discount will be includible in the income of the related REMIC as it accrues, in advance of receipt of the cash attributable to such income, under a method similar to the method described above for accruing original issue discount on the Regular Certificates. Each REMIC expects to elect under Section 171 of the Code to amortize any premium on the Mortgage Loans. Premium on any Mortgage Loan to which such election applies may be amortized under a constant yield method, presumably taking into account a prepayment assumption such as the Tax Prepayment Assumption.

Each REMIC will be allowed deductions for interest (including original issue discount) on the Regular Certificates or the related non-certificated regular interests, as applicable, equal to the deductions that would be allowed if the Regular Certificates or such non-certificated regular interests, as applicable, were indebtedness of the REMIC. Original issue discount will be considered to accrue for this purpose as described above under "—Taxation of Owners of Regular Certificates—*Original Issue Discount*" above, except that the *de minimis* rule and the adjustments for subsequent holders of Regular Certificates described therein will not apply.

If a class of Regular Certificates is issued at a price in excess of the stated redemption price of such class (such excess, "Issue Premium"), the net amount of interest deductions that are allowed to the issuing REMIC in each taxable year with respect to the Regular Certificates of such class will be reduced by an amount equal to the portion of the Issue Premium that is considered to be amortized or repaid in that year. Although the matter is not entirely certain, it is likely that Issue Premium would be amortized under a constant yield method in a manner analogous to the method of accruing original issue discount described above under "—Taxation of Owners of Regular Certificates—*Original Issue Discount*."

As a general rule, the taxable income of each REMIC will be determined in the same manner as if such REMIC were an individual having the calendar year as its taxable year and using the accrual method of accounting. However, no item of income, gain, loss or deduction allocable to a prohibited transaction (see "—Prohibited Transactions and Other Possible REMIC Taxes" herein) will be taken into account. Further, the limitation on miscellaneous itemized deductions imposed on individuals by Section 67 of the Code (which allows such deductions only to the extent they exceed in the aggregate two percent of the individual taxpayer's adjusted gross income) will not be applied at the REMIC level so that the REMIC will be allowed deductions for servicing, administrative and other non-interest expenses in determining its taxable income. For federal income tax information reporting purposes all such expenses will be allocated as a separate item to the holders of the Residual Certificates, subject to the limitation of Section 67 of the Code. See "—*Pass-Through of Miscellaneous Itemized Deductions to Residual Certificateholders*" herein. If the deductions allowed to any of the REMICs exceed its gross income for a calendar quarter, such excess will be the net loss for the REMIC for that calendar quarter.

Basis Rules, Net Losses and Distributions. The adjusted basis of a Residual Certificate will be equal to the amount paid for such Residual Certificate, increased by amounts included in the income of the Residual Certificateholder and decreased (but not below zero) by distributions made, and by net losses allocated, to such Residual Certificateholder.

A Residual Certificateholder is not allowed to take into account any net loss for any calendar quarter to the extent such net loss exceeds such Residual Certificateholder's adjusted basis in its Residual Certificate as of the close of such calendar quarter (determined without regard to such net loss). Any loss that is not currently deductible 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. The ability of Residual Certificateholders to deduct net losses may be subject to additional limitations under the Code, as to which Residual Certificateholders should consult their tax advisors.

Any distribution on a Residual Certificate will be treated as a non-taxable return of capital to the extent it does not exceed the holder's adjusted basis in such Residual Certificate. To the extent a distribution on a Residual Certificate exceeds such adjusted basis, it will be treated as gain from the sale of such Residual Certificate.

The effect of these rules is that a Residual Certificateholder may not amortize its basis in a Residual Certificate, but may only recover its basis through distributions, through the deduction of any net losses of the related REMIC or upon the sale of its Residual Certificate. See "—Sales of Certificates" herein. For a discussion of possible modifications of these rules that may require adjustments to income of a holder of a Residual Certificate other than an original holder in order to reflect any difference between the cost of such Residual Certificate to such Residual Certificateholder and the adjusted basis such Residual Certificate would have in the hands of an original holder, see "—Taxation of Owners of Residual Certificates—*General*" herein.

Excess Inclusions. Any "excess inclusions" with respect to a Residual Certificate will be subject to federal income tax in all events.

In general, the "excess inclusion" with respect to a Residual Certificate for any calendar quarter will be the excess, if any, of (i) the daily portions of REMIC taxable income allocable to such Residual Certificate over (ii) the sum of the "daily accruals" (as defined below) for each day during such quarter that such Residual Certificate was held by such Residual Certificateholder. The daily accruals of a Residual Certificateholder will be determined by allocating to each day during a calendar quarter its ratable portion of the product of the "adjusted issue price" of the Residual Certificate at the beginning of the calendar quarter and 120% of the "long-term Federal rate" in effect on the delivery date. For this purpose, the adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter will be equal to the issue price of the Residual Certificate, increased by the sum of the daily accruals for all prior quarters and decreased (but not below zero) by any distributions made with respect to such Residual Certificate before the beginning of such quarter. The issue price of a Residual Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual

Certificates of the same class were sold. The “long-term Federal rate” is an average of current yields on Treasury securities with a remaining term of greater than nine years, computed and published monthly by the IRS. Although it has not done so, the Treasury also has authority to issue regulations that would treat the entire amount of income accruing on a Residual Certificate as an excess inclusion if the Residual Certificates are considered not to have “significant value.”

For Residual Certificateholders, an excess inclusion (i) will not be permitted to be offset by deductions, losses or loss carryovers from other activities, (ii) will be treated as “unrelated business taxable income” (“UBTI”) to an otherwise tax-exempt organization and (iii) will not be eligible for any rate reduction or exemption under any applicable tax treaty with respect to the 30% United States withholding tax imposed on distributions to Residual Certificateholders that are foreign investors. See, however, “—Foreign Investors in Certificates” below.

Furthermore, for purposes of the alternative minimum tax, (i) excess inclusions will not be permitted to be offset by the alternative tax net operating loss deduction and (ii) alternative minimum taxable income may not be less than the taxpayer’s excess inclusions. The latter rule has the effect of preventing nonrefundable tax credits from reducing the taxpayer’s income tax to an amount lower than the tentative minimum tax on excess inclusions.

In the case of any Residual Certificates held by a real estate investment trust, the aggregate excess inclusions with respect to such Residual Certificates, 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), will be allocated among the shareholders of such trust in proportion to the dividends received by such shareholders from such trust, and any amount so allocated will be treated as an excess inclusion with respect to a Residual Certificate as if held directly by such shareholder. U.S. Treasury regulations yet to be issued could apply a similar rule to regulated investment companies, common trust funds and certain cooperatives. The REMIC Regulations currently do not address this subject.

Noneconomic Residual Certificates. Under the REMIC regulations, transfers of “noneconomic” REMIC residual certificates will be disregarded for all federal income tax purposes if “a significant purpose of the transfer was to enable the transferor to impede the assessment or collection of tax.” If the transfer is disregarded, the purported transferor will continue to remain liable for any taxes due with respect to the income on the “noneconomic” REMIC residual certificate. The REMIC Regulations provide that a REMIC residual certificate is noneconomic unless, based on the prepayment assumption and on any required or permitted clean up calls, or required qualified liquidation provided for in the REMIC’s organizational documents, (1) the present value of the expected future distributions (discounted using the “applicable Federal rate” for obligations whose term ends on the close of the last quarter in which excess inclusions are expected to accrue with respect to the REMIC residual certificate, which rate is computed and published monthly by the IRS) on the REMIC residual certificate equals at least the present value of the expected tax on the anticipated excess inclusions, and (2) the transferor reasonably expects that the transferee will receive distributions with respect to the REMIC residual certificate at or after the time the taxes accrue on the anticipated excess inclusions in an amount sufficient to satisfy the accrued taxes. Accordingly, all transfers of the Residual Certificates will be subject to restrictions under the terms of the Trust Agreement that are intended to reduce the possibility of any transfer being disregarded. The restrictions will require each party to a transfer to provide an affidavit that no purpose of the transfer is to impede the assessment or collection of tax, including representations as to the financial condition of the prospective transferee, as to which the transferor also is required to make a reasonable investigation to determine the transferee’s historic payment of its debts and ability to continue to pay its debts as they come due in the future. Prior to purchasing a Residual Certificate, prospective purchasers should consider the possibility that a purported transfer of the Residual Certificate by such a purchaser to another purchaser at some future date may be disregarded in accordance with the above-described rules which would result in the retention of tax liability by that purchaser.

The IRS has issued final REMIC regulations that add to the conditions necessary to assure that a transfer of a non-economic residual interest would be respected. The additional conditions require that in order to qualify as a safe harbor transfer of a residual, the transferee represent that it will not cause the income “to be attributable to a foreign permanent establishment or fixed base (within the meaning of an applicable income tax treaty) of the transferee or another U.S. taxpayer” and either (i) the amount received by the transferee be no less on a present value basis than the present value of the net tax detriment attributable to holding the residual interest reduced by the present value of the projected payments to be received on the residual interest or (ii) the transfer is to a domestic taxable corporation with specified large amounts of gross and net assets and that meets certain other requirements where agreement is made that all future transfers will be to taxable domestic corporations in transactions that qualify for the same "safe harbor" provision. Eligibility for the safe harbor requires, among other things, that the facts and circumstances known to the transferor at the time of transfer not indicate to a reasonable person that the taxes with respect to the residual interest will not be paid, with an unreasonably low cost for the transfer specifically mentioned as negating eligibility.

Mark-to-Market Rules. U.S. Treasury regulations (the "Mark-to-Market Regulations") require that a securities dealer mark to market securities held for sale to customers. This mark-to-market requirement applies to all securities owned by a dealer, except to the extent that the dealer has specifically identified a security as held for investment. The Mark-to-Market Regulations provide that for purposes of this mark-to-market requirement, a "negative value" Residual Certificate is not treated as a security and thus may not be marked to market. Prospective purchasers of a Residual Certificate should consult their tax advisors regarding the possible application of the mark-to-market requirement to Residual Certificates.

Pass-Through of Miscellaneous Itemized Deductions to Residual Certificateholders. For federal income tax information reporting purposes, fees and other non-interest expenses of the trust fund will be allocated to the holders of the Residual Certificates.

With respect to Residual Certificates that receive an allocation of fees and expenses, if any holder thereof is an individual, estate or trust, or a "pass-through entity" beneficially owned by one or more individuals, estates or trusts, (i) an amount equal to such individual's, estate's or trust's share of such fees and expenses will be added to the gross income of such holder and (ii) such individual's, estate's or trust's share of such fees and expenses will be treated as a miscellaneous itemized deduction allowable subject to the limitation of Section 67 of the Code, which permits such deductions only to the extent they exceed in the aggregate two percent of a taxpayer's adjusted gross income. In addition, Section 68 of the Code provides that the amount of itemized deductions otherwise allowable for an individual whose adjusted gross income exceeds a specified amount will be reduced by the lesser of (i) 3% of the excess of the individual's adjusted gross income over such amount or (ii) 80% of the amount of itemized deductions otherwise allowable for the taxable year. The amount of additional taxable income reportable by Residual Certificateholders that are subject to the limitations of either Section 67 or Section 68 of the Code may be substantial. Furthermore, in determining the alternative minimum taxable income of such a holder of a Residual Certificate that is an individual, estate or trust, or a "pass-through entity" beneficially owned by one or more individuals, estates or trusts, no deduction will be allowed for such holder's allocable portion of servicing fees and other miscellaneous itemized deductions of the REMIC, even though an amount equal to the amount of such fees and other deductions will be included in such holder's gross income. Accordingly, such Residual Certificates may not be appropriate investments for individuals, estates, or trusts, or pass-through entities beneficially owned by one or more individuals, estates or trusts. Such prospective investors should carefully consult with their own tax advisors prior to making an investment in such Certificates.

Sales of Certificates

If a Certificate is sold, the selling Certificateholder will recognize gain or loss equal to the difference between the amount realized on the sale and its adjusted basis in the Certificate. The adjusted basis of a Regular Certificate generally will equal the cost of such Regular Certificate to such Certificateholder, increased by income reported by such Certificateholder with respect to such Regular Certificate (including original issue discount and market discount income) and reduced (but not below zero) by distributions on such Regular Certificate received by such Certificateholder and by any amortized premium. The adjusted basis of a Residual Certificate will be determined as described under "—Taxation of Owners of Residual Certificates—*Basis Rules, Net Losses and Distributions*."

Except as provided below, any such gain or loss will be capital gain or loss, provided such Regular Certificate is held as a capital asset (generally, property held for investment) within the meaning of Section 1221 of the Code. Gain from the sale of a Regular Certificate that might otherwise be capital gain will be treated as ordinary income to the extent such gain does not exceed the excess, if any, of (i) the amount that would have been includible in the seller's income with respect to such Regular Certificate assuming that income had accrued thereon at a rate equal to 110% of the "applicable Federal rate" (generally, a rate based on an average of current yields on U.S.

Treasury securities having a maturity comparable to that of the Regular Certificate based on the application of the Tax Prepayment Assumption to such Regular Certificate, which rate is computed and published monthly by the IRS), determined as of the date of purchase of such Regular Certificate, over (ii) the amount of ordinary income actually includible in the seller's income prior to such sale. In addition, gain recognized on the sale of a Regular Certificate by a seller who purchased such Regular Certificate at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Regular Certificate was held by such holder, reduced by any market discount included in income under the rules described above under "—Taxation of Owners of Regular Certificates—*Market Discount*" and "—*Premium*."

The Regular Certificates will be "evidences of indebtedness" within the meaning of Section 582(c)(1) of the Code, so that gain or loss recognized from the sale of a Regular Certificate by a bank or thrift institution to which such section applies will be ordinary income or loss.

A portion of any gain from the sale of a Regular Certificate that might otherwise be capital gain may be treated as ordinary income to the extent that such Regular Certificate is held as part of a "conversion transaction" within the meaning of Section 1258 of the Code. A conversion transaction generally is one in which the taxpayer has taken two or more positions in the same or similar property that reduce or eliminate market risk, if substantially all of the taxpayer's return is attributable to the time value of the taxpayer's net investment in such transaction. The amount of gain so realized in a conversion transaction that is recharacterized as ordinary income generally will not exceed the amount of interest that would have accrued on the taxpayer's net investment at 120% of the appropriate "applicable Federal rate" at the time the taxpayer enters into the conversion transaction, subject to appropriate reduction for prior inclusion of interest and other ordinary income items from the transaction.

A taxpayer may elect to have net capital gain taxed at ordinary income rates rather than capital gains rates in order to include such net capital gain in total net investment income for the taxable year, for purposes of the rule that limits the deduction of interest on indebtedness incurred to purchase or carry property held for investment to a taxpayer's net investment income.

Except as may be provided in U.S. Treasury regulations yet to be issued, if the seller of a Residual Certificate reacquires a Residual Certificate, or acquires any other residual interest in a REMIC or any similar interest in a "taxable mortgage pool" (as defined in Section 7701(i) of the Code) during the period beginning six months before, and ending six months after, the date of such sale, such sale will be subject to the "wash sale" rules of Section 1091 of the Code. In that event, any loss realized by the Residual Certificateholder on the sale will not be deductible, but instead will be added to such REMIC Residual Certificateholder's adjusted basis in the newly-acquired asset.

Prohibited Transactions and Other Possible REMIC Taxes

The Code imposes a tax on REMICs equal to 100% of the net income derived from "prohibited transactions" (a "Prohibited Transactions Tax"). In general, subject to certain specified exceptions a prohibited transaction means the disposition of a Mortgage Loan, the receipt of income from a source other than a Mortgage Loan or certain other permitted investments, the receipt of compensation for services, or gain from the disposition of an asset purchased with the payments on the Mortgage Loans for temporary investment pending distribution on the Certificates. Net gain on the sale of the assets of a REMIC pursuant to a qualified liquidation is not subject to a Prohibited Transactions Tax. It is not anticipated that any REMIC created by the Trust Agreement will engage in any prohibited transactions in which it would recognize a material amount of net income.

In addition, certain contributions to a REMIC made after the day on which the REMIC issues all of its interests could result in the imposition of a tax on the REMIC equal to 100% of the value of the contributed property (a "Contributions Tax"). The Trust Agreement will include provisions designed to prevent the acceptance of any contributions that would be subject to such tax.

REMICs also are subject to federal income tax at the highest corporate rate on "net income from foreclosure property," determined by reference to the rules applicable to real estate investment trusts. "Net income from foreclosure property" generally means gain from the sale of a 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. It is not anticipated that any REMIC created by the Trust Agreement will recognize "net income from foreclosure property" subject to federal income tax.

To the extent permitted by then applicable laws, any Prohibited Transactions Tax, Contributions Tax, tax on "net income from foreclosure property" or state or local income or franchise tax that may be imposed on any REMIC will be borne by the Servicer or the Co-Trustee in any such case out of its own funds, provided that the Servicer or the Co-Trustee, as the case may be, has sufficient assets to do so, and provided further that such tax arises out of a breach of the Servicer's or the Co-Trustee's obligations, as the case may be, under the Trust Agreement and in respect of compliance with applicable laws and regulations. Any such tax not borne by the Servicer or the Co-Trustee will be charged against the trust resulting in a reduction in amounts payable to holders of the related Regular Certificates.

Tax and Restrictions on Transfers of Residual Certificates to Certain Organizations

If a Residual Certificate is transferred to a "disqualified organization" (as defined below), a tax would be imposed in an amount determined under the REMIC Regulations equal to the product of (i) the present value (discounted using the "applicable Federal rate" for obligations whose term ends on the close of the last quarter in which excess inclusions are expected to accrue with respect to the Residual Certificate, which rate is computed and published monthly by the IRS) of the total anticipated excess inclusions with respect to such Residual Certificate for periods after the transfer and (ii) the highest marginal federal income tax rate applicable to corporations. The anticipated excess inclusions must be determined as of the date that the Residual Certificate is transferred and must be based on events that have occurred up to the time of such transfer, the pricing assumption and any required or permitted clean up calls or required liquidation provided for in the REMIC's organizational documents. Such a tax generally would be imposed on the transferor of the Residual Certificate, except that where such transfer is through an agent for a disqualified organization, the tax would instead be imposed on such agent. However, a transferor of a Residual Certificate would in no event be liable for such tax with respect to a transfer if the transferee furnishes to the transferor an affidavit that the transferee is not a disqualified organization, and as of the time of the transfer, the transferor does not have actual knowledge that such affidavit is false. Moreover, an entity will not qualify as a REMIC unless there are reasonable arrangements designed to ensure that (i) residual interests in such entity are not held by disqualified organizations and (ii) information necessary for the application of the tax described herein will be made available. Restrictions on the transfer of Residual Certificates and certain other provisions that are intended to meet this requirement are described in the Trust Agreement.

In addition, if a "pass-through entity" (as defined below) includes in income excess inclusions with respect to a Residual Certificate, and a disqualified organization is the record holder of an interest in such entity, then a tax will be imposed on such entity equal to the product of (i) the amount of excess inclusions on the Residual Certificate that are allocable to the interest in the pass-through entity held by such disqualified organization and (ii) the highest marginal federal income tax rate imposed on corporations. A pass-through entity will not be subject to this tax for any period, however, if each record holder of an interest in such pass-through entity furnishes to such pass-through entity (i) such holder's social security number and a statement under penalty of perjury that such social security number is that of the record holder or (ii) a statement under penalty of perjury that such record holder is not a disqualified organization. Notwithstanding the preceding two sentences, in the case of a Residual Certificate held by an electing large partnership, as defined in Section 775 of the Code, all interests in the partnership shall be treated as held by disqualified organizations, without regard to whether the record holders of the partnership furnish statements described in the preceding sentence, and the amount that is subject to tax under the second preceding sentence is excluded from the gross income of the partnership allocated to the partners, in lieu of allocating to the partners a deduction for the tax paid by the partnership.

For these purposes a "disqualified organization" means (i) the United States, any State or political subdivision thereof, any possession of the United States, or any agency or instrumentality of any of the foregoing (other than an instrumentality which is a corporation if all of its activities are subject to tax and, except for Freddie Mac, a majority of its board of directors is not selected by such governmental unit), (ii) a foreign government, any international organization, or any agency or instrumentality of any of the foregoing, (iii) any organization (other than certain farmers' cooperatives described in Section 521 of the Code) which is exempt from the tax imposed by Chapter 1 of the Code (unless such organization is subject to the tax imposed by Section 511 of the Code on unrelated business taxable income), (iv) rural electric and telephone cooperatives described in Section 1381(a)(2)(C) of the Code and (v) any other person so designated by the Co-Trustee based upon an opinion of counsel that the holding of an ownership interest in a Residual Certificate by such person may cause the trust fund or any person having an ownership interest in any class of Certificates, other than such person, to incur a liability for any federal tax imposed under the Code that would not otherwise be imposed but for the transfer of an ownership interest in a Residual Certificate to such person. For these purposes, a "pass-through entity" means any regulated investment company, real estate investment trust, trust, partnership or certain other entities described in Section 860E(e)(6) of the Code. In addition, a person holding an interest in a pass-through entity as a nominee for another person shall, with respect to such interest, be treated as a pass-through entity.

On May 11, 2004, the IRS issued final regulations relating to the federal income tax treatment of "inducement fees" received by transferees of non-economic REMIC residual interests. The regulations provide tax accounting rules for the inclusion of such fees in income over an appropriate period, and clarify that inducement fees represent income from sources within the United States. These rules apply to taxable years ending on or after May 11, 2004. On the same date, the IRS issued administrative guidance addressing the procedures by which transferees of such REMIC residual interests may obtain consent to change the method of accounting for REMIC inducement fee income to one of the methods provided in the regulations. Prospective purchasers of REMIC residual certificates should consult with their tax advisors regarding the effect of these regulations and the related administrative guidance.

Termination

Each of the REMICs constituting the trust fund will terminate immediately after the Distribution Date following receipt by the trust fund of the final payment in respect of the Mortgage Loans or upon a sale of the trust fund's assets following the establishment by the Co-Trustee of a 90-day liquidation period for each such REMIC specifying the first day in the 90-day liquidation period in a statement attached to such REMIC's final tax return. The last distribution on a Regular Certificate will be treated as a payment in retirement of a debt instrument. In the case of a Residual Certificate, if the last distribution on such Residual Certificate is less than the Residual Certificateholder's adjusted basis in such Residual Certificate, such Residual Certificateholder should (but may not) be treated as realizing a loss equal to the amount of such difference, and such loss may be treated as a capital loss.

If a REMIC sells all of its assets pursuant to a qualified liquidation, the REMIC will not be subject to a Prohibited Transactions Tax on any gain received on such assets, but will recognize gain or loss on such sale that will be included in the computation of REMIC taxable income allocated to the related Residual Certificateholders for the calendar quarter in which such sale occurs. See "—Prohibited Transactions and Other Possible REMIC Taxes" herein.

Reporting and Other Administrative Matters

The Co-Trustee will file REMIC federal income tax returns on behalf of each REMIC, and under the terms of the Trust Agreement, the Co-Trustee will be irrevocably appointed by the holder of the largest percentage interest in each class of the Residual Certificates as its agent to perform all of the duties of the "tax matters person" with respect to the related REMIC in all respects. The "tax matters person" for each such REMIC will be the holder of Certificates evidencing the largest percentage interest in the class of Residual Certificates constituting the sole class of "residual interests" in such REMIC. Solely for purposes of the administrative provisions of the Code, each REMIC constituting the trust fund will be treated as a partnership and the related Residual Certificateholders will be treated as partners.

As agent for the tax matters person, the Co-Trustee will, subject to certain notice requirements and various restrictions and limitations, generally have the authority to act on behalf of each REMIC constituting the trust fund and the related Residual Certificateholders in connection with the administrative and judicial review of items of income, deduction, gain or loss of the REMIC, as well as the REMIC's classification. Residual Certificateholders will generally be required to report such REMIC items consistent with their treatment on the related REMIC's tax return and may in some circumstances be bound by a settlement agreement between the Co-Trustee, as agent for the tax matters person, and the IRS concerning any such REMIC item. Adjustments made to the related REMIC's tax return may require a Residual Certificateholder to make corresponding adjustments on its return, and an audit of the related REMIC's tax return, or the adjustments resulting from such an audit, could result in an audit of a Residual Certificateholder's return. None of the REMICs constituting the trust fund will be registered as a tax shelter pursuant to Section 6111 of the Code because it is not anticipated that any such REMIC will have a net loss for any of the first five taxable years of its existence. Any person that holds a Residual Certificate as a nominee for another person may be required to furnish the Co-Trustee, in a manner to be provided in U.S. Treasury regulations, with the name and address of such person and other information.

Reporting of interest income, including any original issue discount, with respect to Regular Certificates is required annually, and may be required more frequently under U.S. Treasury regulations. These information reports generally are required to be sent to individual holders of regular interests and the IRS; holders of Regular Certificates that are corporations, trusts, securities dealers and certain other non-individuals will be provided interest and original issue discount income information and the information set forth in the following paragraph upon request in accordance with the requirements of the applicable regulations. The information must be provided by the later of 30 days after the end of the quarter for which the information was requested, or two weeks after the receipt of the request. The related REMIC must also comply with rules requiring a Regular Certificate issued with original issue discount to disclose on its face the amount of original issue discount and the issue date, and requiring such information to be reported to the IRS. Reporting with respect to the Residual Certificates, including income, excess inclusions, investment expenses and relevant information regarding qualification of the related REMIC's assets will be made as required under the U.S. Treasury regulations, generally on a quarterly basis.

As applicable, the Regular Certificate information reports will include a statement of the adjusted issue prices of the Regular Certificates at the beginning of each accrual period. In addition, the reports will include information required by regulations with respect to computing the accrual of any market discount. Because exact computation of the accrual of market discount on a constant yield method requires information relating to the holder's purchase price that the Co-Trustee will not have, such regulations only require that information pertaining to the appropriate proportionate method of accruing market discount be provided. See "—Taxation of Owners of Regular Certificates—*Market Discount*" herein.

The responsibility for complying with the foregoing reporting rules will be borne by the Co-Trustee.

Backup Withholding With Respect to Certificates

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates, may be subject to the "backup withholding tax" under Section 3406 of the Code if recipients of such payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against such recipient's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments that is required to supply information but that does not do so in the proper manner.

Foreign Investors in Certificates

A Regular Certificateholder that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States in addition to its ownership of a Regular Certificate will not be subject to United States federal income or withholding tax in respect of a distribution on a Regular Certificate, provided that the holder complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the Certificateholder under penalties of perjury, certifying that such Certificateholder is not a United States person and providing the name and address of such Certificateholder). This statement is generally made on IRS Form W-8BEN and must be updated whenever required information has changed or within 3 calendar years after the statement is first delivered. For these purposes, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in, or under the laws of, the United States or any political subdivision thereof (except, in the case of a partnership, to the extent provided in regulations), or an estate whose income is subject to United States federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. To the extent prescribed in regulations by the Secretary of the Treasury, a trust which was in existence on August 20, 1996 (other than a trust treated as owned by the grantor under Subpart E of Part I of Subchapter J of Chapter 1 of the Code), and which was treated as a United States person on August 19, 1996, may elect to continue to be treated as a United States person notwithstanding the previous sentence. It is possible that the IRS may assert that the foregoing tax exemption should not apply with respect to a Regular Certificate held by a certificateholder that owns directly or indirectly a 10% or greater interest in the Residual Certificates. If the holder does not qualify for exemption, distributions of interest, including distributions in respect of accrued original issue discount, to such holder may be subject to a tax rate of 30%, subject to reduction under any applicable tax treaty.

Special rules apply to partnerships, estates and trusts, and in certain circumstances certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

In addition, the foregoing rules will not apply to exempt a United States shareholder of a controlled foreign corporation from taxation on such United States shareholder's allocable portion of the interest income received by such controlled foreign corporation.

Further, it appears that a Regular Certificate would not be included in the estate of a non-resident alien individual and would not be subject to United States estate taxes. However, Certificateholders who are non-resident alien individuals should consult their tax advisors concerning this question.

Transfers of Residual Certificates to investors that are not United States persons generally will be prohibited under the Trust Agreement.

STATE AND OTHER TAX CONSEQUENCES

In addition to the federal income tax consequences described under "Certain Material Federal Income Tax Consequences" herein, potential investors should consider the state and local tax consequences of the acquisition, ownership, and disposition of the Certificates offered hereunder. State tax law may differ substantially from the corresponding federal tax law, and this discussion does not purport to describe any aspect of the tax laws of any state or other jurisdiction. Therefore, prospective investors should consult their own tax advisors with respect to the various tax consequences of investments in the Certificates.

RATINGS

The Certificates will not be rated by any rating agency.

USE OF PROCEEDS AND METHOD OF DISTRIBUTION

The Seller will transfer the Mortgage Loans to the Depositor and the Depositor will convey the Mortgage Loans to the Issuer, in exchange for and concurrently with the delivery of the Certificates. The Certificates will be issued by the Issuer to Fannie Mae for deposit by Fannie Mae into Fannie Mae Grantor Trust.

LEGAL MATTERS

Certain legal matters with respect to the Certificates will be passed upon for the Depositor and the Issuer by SNR Denton US LLP, New York, New York. Certain legal matters with respect to the Seller and the Guarantor will be passed upon by Katten Muchin Rosenman LLP, New York, New York.

ANNEX I

GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the Class A Certificates will be offered globally (the "Global Securities") and will be available only in book-entry form. Investors in the Global Securities may hold such Global Securities through any of DTC and upon request through Clearstream or Euroclear. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream and Euroclear will be conducted in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary cross-market trading between Clearstream or Euroclear and DTC Participants holding Certificates will be effected on a delivery-against-payment basis through the respective Depositaries of Clearstream and Euroclear (in such capacity) and as DTC Participants.

Non-U.S. holders (as described below) of Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

Initial Settlement

All Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors' interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect Participants in DTC. As a result, Clearstream and Euroclear will hold positions on behalf of their participants through their respective Depositaries, which in turn will hold such positions in accounts as DTC Participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to conventional eurobonds, except that there will be no temporary global security and no "lock-up" or restricted period. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no 'lock-up' or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Between DTC Participants. Secondary market trading between DTC Participants will be settled using the procedures applicable to prior mortgage loan asset-backed certificates issues in same-day funds.

Trading Between Clearstream and/or Euroclear Participants. Secondary market trading between Clearstream Participants or Euroclear Participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading Between DTC Seller and Clearstream or Euroclear Purchaser. When Global Securities are to be transferred from the account of a DTC Participant to the account of a Clearstream Participant or a Euroclear Participant, the purchaser will send instructions to Clearstream or Euroclear through a Clearstream Participant or Euroclear Participant at least one business day prior to settlement. Clearstream or Euroclear will instruct the Relevant Depositary, as the case may be, to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon Distribution Date to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days or a 360-day year consisting of twelve 30 day months, as applicable. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the Relevant Depositary of the DTC Participant's account against delivery of the Global Securities. After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream Participant's or Euroclear Participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the Global Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream Participants and Euroclear Participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream or Euroclear. Under this approach, they may take on credit exposure to Clearstream or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream or Euroclear has extended a line of credit to them, Clearstream Participants or Euroclear Participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream Participants or Euroclear Participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities were credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream Participant's or Euroclear Participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for sending Global Securities to the respective European Depositary for the benefit of Clearstream Participants or Euroclear Participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants a cross-market transaction will settle no differently than a trade between two DTC Participants.

Trading Between Clearstream or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, Clearstream Participants and Euroclear Participants may employ their customary procedures for transactions in which Global Securities are to be transferred by the respective clearing system, through the Relevant Depositary, to a DTC Participant. The seller will send instructions to Clearstream or Euroclear through a Clearstream Participant or Euroclear Participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the Relevant Depositary, as appropriate, to deliver the Global Securities to the DTC Participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days or a 360-day year consisting of twelve 30 day months, as applicable. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream Participant or Euroclear Participant the following day, and receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream Participant or Euroclear Participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream or Euroclear and that purchase Global Securities from DTC Participants for delivery to Clearstream Participants or Euroclear Participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

(a) through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing system's customary procedures;

(b) the Global Securities in the U.S. from a DTC Participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream or Euroclear account in order to settle the sale side of the trade; or

(c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream Participant or Euroclear Participant.

Certain U.S. Federal Income Tax Documentation Requirements

A beneficial owner who is an individual or corporation holding the Global Securities on its own behalf through Clearstream or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (i) each clearing system, bank or other institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner or a foreign partnership or trust and the U.S. entity required to withhold tax complies with applicable certification requirements and (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate:

Exemption for Non-U.S. Persons (Form W-8BEN). Beneficial owners of Global Securities that are non-U.S. Persons generally can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

Exemption for non-U.S. Persons with effectively connected income (Form W-8ECI). A non-U.S. Person, including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or reduced rate for non-U.S. Persons resident in treaty countries (Form W-8BEN). Non-U.S. Persons that are Certificate Owners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). Form W-8BEN may be filed by the Certificate Owners or his agent.

Exemption or reduced rate for non-U.S. Persons subject to special U.S. federal income tax rules (Form W-8EXP). A non-U.S. Person that is a foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation or government of a U.S. possession may obtain an exemption or reduced tax rate on certain income by filing Form W-8EXP (Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding).

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

U.S. Federal Income Tax Reporting Procedure. The Certificate Owner of a Global Security files by submitting the appropriate form to the person through whom it holds (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN, Form W-8EXP and Form W-8ECI are generally effective until the third succeeding calendar year from the date such form is signed. However, a Form W-8BEN or Form W-8ECI with a taxpayer identification number will remain effective until a change in circumstances makes any information on such form incorrect, provided that the withholding agent reports at least annually to the beneficial owner of Form 1042-S.

The term "U.S. Person" means (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes organized in or under the laws of the United States or any state thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations provide otherwise) or (iii) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in U.S. Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date, that elect to continue to be treated as United States persons will also be a U.S. Person. This summary does not deal with all aspects of U.S. federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

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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Information Memorandum

$9,255,811,613 (Approximate)

(subject to a permitted variance of plus or minus 5%)

FannieMae®

Guaranteed Grantor Trust Pass-Through Certificates

Fannie Mae Grantor Trust 2011-T1

PROSPECTUS

May 27, 2011