Prospectus

$690,610,448 (Approximate)

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

FannieMae®

Guaranteed Grantor Trust Pass-Through Certificates
Fannie Mae Grantor Trust 2011-T2

Consider carefully the risk factors starting on page 7 of this prospectus and on page 8 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-1, Class A-IO and Class A-2 underlying REMIC securities issued by the underlying REMIC trust, Government Loan Securitization Trust 2011-FV1, as described in this prospectus. The Underlying REMIC Securities will represent beneficial interests in a pool of fully amortizing, fixed-rate mortgage loans that are insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs, or in the case of one mortgage loan, guaranteed by the Rural Housing Service and secured by one- to four-family properties.

Class	*Original Certificate Balance*(1)	*Principal Type*(2)	*Certificate Interest Rate*	*Interest Type*(2)	*CUSIP Number*	*Final Distribution Date*
A-1(3)	$ 621,549,000	SC/SEQ	2.50%	FIX	3136A0S73	August 2051
A-IO(3)	$ 621,549,000(4)	NTL	(5)	WAC/IO	3136A06P7	August 2051
A-2(3)	$ 69,061,448	SC/SEQ	(6)	WAC	3136A06Q5	August 2051

(1) Approximate. Subject to a permitted variance of plus or minus 5%.
(2) For a description of principal and interest types and abbreviations, see Exhibit A to this prospectus.
(3) A holder of the Class A-1 Certificates, the Class A-IO Certificates and the Class A-2 Certificates may exchange such Certificates for the RCR Certificates, and vice versa, in the combinations identified on Schedule 1 to this prospectus. See "Combination and Recombination" in this prospectus.
(4) Notional Balance. As of any date of determination, the Notional Balance of the Class A-IO Certificates will be an amount equal to the Certificate Principal Balance of the Class A-1 Certificates as of such date of determination.
(5) Initially approximately 2.04% per annum; thereafter the excess, if any, of the Available Interest Rate Cap for such Distribution Date over the Certificate Interest Rate of the Class A-1 Certificates for such Distribution Date.
(6) Initially approximately 4.54% per annum; thereafter the Class A-2 Available Interest Rate Cap for such Distribution Date.

If you own Certificates of the A-1, A-IO and A-2 Classes, you can exchange them for certificates of the corresponding RCR Classes to be delivered at the time of exchange. The A-3, A-4, A-5, A-6, A-7, A-8, IO, A-9, A-10, A-11, A-12, A-13, A-14, A-15, A-16 and PO Classes are the RCR Classes. For a more detailed description of the RCR Classes, see Schedule 1 attached to this prospectus and "Combination and Recombination."

BofA Merrill Lynch

August 24, 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 August 23, 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.

You also can obtain copies of this prospectus, including the Information Memorandum, by writing or calling the placement agent at:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
18th Floor
New York, New York 10036
Attention: Legal
(telephone 646-855-8340).

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 three classes of Underlying REMIC Securities representing ownership interests in Government Loan Securitization Trust 2011-FV1. 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 fully amortizing, fixed-rate mortgages that are insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs or the Rural Housing Service and secured by one to four-family residential properties.

Corresponding Classes

Each class of certificates corresponds to the class of Underlying REMIC Securities as follows:

Fannie Mae Grantor Trust Classes	Classes of Underlying REMIC Securities
A-1	A-1
A-IO	A-IO
A-2	A-2

All amounts payable on each class of Underlying REMIC Securities will be passed through to the corresponding class of certificates. 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 August 30, 2011.

Distribution Dates

Beginning in September 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

We will issue the Class A-1 Certificates, Class A-IO Certificates and Class A-2 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.

Exchanging Certificates Through Combination and Recombination

If you own Class A Certificates, you will be able to exchange them for a proportionate interest in the RCR Certificates. Schedule 1 lists the available combinations of the Class A Certificates eligible for exchange and the RCR Certificates. You can exchange your Class A Certificates by notifying us and paying an exchange fee. We will deliver the RCR Certificates upon such exchange.

For more information about the RCR Certificates and the process of exchanging your Certificates, see "Combination and Recombination" in this prospectus.

Payments of Interest

We will pay interest on each Class A Certificate 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 Class A Certificates, other than the Class A-IO 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/or 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.

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 8 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. 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 underlying 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.

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:

- 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 loans are modified in the future;
- 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 prepaid 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 Securities, 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.

Unpredictable timing of last payment may affect your yield. The actual final payment on the Certificates may occur earlier, and could occur much earlier, than the final distribution date listed in this prospectus. 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 scheduled amortization, 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 foreclosed mortgage 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. In this way, property sales by borrowers can affect the rate of prepayment. In addition, if borrowers are able to refinance their loans by obtaining new loans secured by the same properties, any refinancing will affect the rate of prepayment. Furthermore, Fannie Mae has made representations and warranties with respect to the underlying loans and may have to repurchase the related loans if they fail to conform to these representations and warranties. Any such repurchase also will affect the rate of prepayment.

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 plus any related foreclosed real estate is less than 1% of the aggregate stated principal balance of the underlying loans as of the cut-off date, the co-trustee of the underlying trust will conduct an auction to sell the underlying loans 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.

In general, the rates of prepayment may be influenced by:

- the level of current interest rates relative to the rates borne by the underlying loans;
- homeowner mobility;
- the general creditworthiness of the borrowers; and
- general economic conditions.

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 prepay a mortgage loan at any time. All of the underlying loans permit the related borrower to prepay its mortgage loan without a prepayment charge being imposed. 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 your Certificates at prices comparable to those available to other investors.

A number of factors may affect the resale of your Certificates, including:

- the payment to Certificateholders of interest and/or principal in amounts based on the interest and/or 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.

Ratings Matters

Standard & Poor's Ratings Services

On August 8, 2011, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's") announced that it had downgraded Fannie Mae senior unsecured debt from "AAA" to "AA+" with a negative outlook. This announcement followed a similar action by Standard & Poor's taken on August 5, 2011 on the United States sovereign long term debt rating. Standard & Poor's also announced that Fannie Mae's debt ratings were no longer on CreditWatch Negative, and that the ratings on Fannie Mae short-term debt and subordinated debt remain unchanged at "A-1+" and "A," respectively.

The action taken by Standard & Poor's with respect to Fannie Mae's ratings was announced at the same time as similar ratings actions on other institutions with ties to the United States Government, including Freddie Mac, select Federal Home Loan Banks, and the Farm Credit System.

Moody's Investors Service

On August 2, 2011, Moody's Investors Service ("Moody's") confirmed the "Aaa" rating of institutions directly linked to the United States Government, including Fannie Mae. Moody's also announced that the rating outlook for Fannie Mae and other institutions directly linked to the United

States Government was being revised to negative, following a similar revision on the outlook of the United States Government.

Fitch Ratings Limited

On August 16, 2011, Fitch Ratings Limited ("Fitch") affirmed the long-term issuer default rating and senior unsecured debt rating of Fannie Mae at "AAA," with a Ratings Outlook of stable, following a similar affirmation of the United States sovereign rating. Fitch has previously indicated that the ratings of Fannie Mae and other issuers with ties to the United States Government would ultimately be aligned with the United States sovereign rating assigned by Fitch.

For additional information on the impact of a credit rating downgrade on Fannie Mae and its securities, please refer to Fannie Mae's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, including the Risk Factors set forth in that Quarterly Report.

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.

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.

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-T2 specified on the cover page of this prospectus (the "Trust") pursuant to a trust agreement (the "Trust Agreement") dated as of August 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 Class A Certificates and the RCR Certificates (together with the "Class A Certificates, the "Certificates") pursuant to the Trust Agreement. In general, the term "Classes" includes the classes of Class A Certificates and RCR Certificates.

The assets of the Trust will consist of those classes of Government Loan Securitization Trust 2011-FV1, Mortgage-Backed Certificates, Series 2011-FV1, 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 mortgage loans that are included in an underlying trust (the "Underlying Trust"). The assets of the Underlying Trust will consist of these 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 Holders of Class A Certificates:

- 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, delinquencies, 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 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 (each such nominee, a "Holder" or "Certificateholder"). 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.

Authorized Denominations. We will issue the Certificates in minimum denominations of $100,000 and in increments of $1 in excess thereof.

Distribution Date. Beginning in September 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 1% of the aggregate stated principal balance of the underlying loans 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. Fannie Mae will not participate in any such auction.

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 by balance.

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.

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.

Distributions with Respect to RCR Certificates

In the event that Class A Certificates are exchanged for RCR Certificates as set forth on Schedule 1 to this prospectus, such RCR Certificates will be entitled to receive the interest and principal distributions, as applicable, that would otherwise be distributable on the Class A Certificates, in the order of priority assigned to the Certificates described in the Information Memorandum under "Description of the Certificates—Priority of Distributions—*Interest Distribution Amount*" and "Description of the Certificates—Priority of Distributions—*Principal Distribution Amount*."

Book-Entry Procedures

General. The 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 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.

Payments of Interest

Interest Distribution Amount. On each Distribution Date, we will pay to the Holders of Class A Certificates an amount of interest equal to the interest amount, if any, 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 Class A Certificates, other than the Class A-IO Certificates, an amount of principal equal to the amount, if any, paid on the corresponding class of Underlying REMIC Securities on that Distribution Date.

In the event of an exchange of the Class A Certificates for the RCR Certificates, any Realized Losses otherwise allocable to the Class A-1 Certificates and the Class A-2 Certificates will be allocated to the RCR Certificates in reduction of the Certificate Principal Balance thereof, until the Certificate Principal Balance thereof has been reduced to zero.

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. Subject to the discussion and Modeling Assumptions described therein, the following tables indicate the weighted average lives of the Certificates and set forth the percentages of the initial Certificate Principal Balance of the Certificates and RCR Certificates that would be outstanding after each of the Distribution Dates shown at various percentages of the PPC Prepayment Assumption (as defined in the Information Memorandum).

The weighted average life of the Certificates is determined by (i) multiplying the assumed net reduction, if any, in the Certificate Principal Balance on each Distribution Date of the Certificates by the number of years from the date of issuance of the 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 Certificates.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of PPC Set Forth Below

	Class A-1, A-IO(1), A-5, A-6, A-7, A-8, A-9, A-10, A-11, A-12, A-13, A-14, A-15, A-16, PO and IO(1) Certificates					Class A-2 Certificates				
Distribution Date	**0%**	**50%**	**100%**	**150%**	**200%**	**0%**	**50%**	**100%**	**150%**	**200%**
Initial Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
August 25, 2012..........	91	90	89	89	88	100	100	100	100	100
August 25, 2013..........	65	63	62	60	59	100	100	100	100	100
August 25, 2014..........	46	44	41	39	37	100	100	100	100	100
August 25, 2015..........	30	27	25	22	20	100	100	100	100	100
August 25, 2016..........	23	19	16	14	11	100	100	100	100	100
August 25, 2017..........	15	12	9	6	3	100	100	100	100	100
August 25, 2018..........	14	11	7	4	2	100	100	100	100	100
August 25, 2019..........	13	10	6	3	1	100	100	100	100	100
August 25, 2020..........	13	9	5	2	0	100	100	100	100	95
August 25, 2021..........	11	7	4	1	0	100	100	100	100	85
August 25, 2022..........	10	6	3	0	0	100	100	100	98	76
August 25, 2023..........	9	5	2	0	0	100	100	100	89	67
August 25, 2024..........	8	4	1	0	0	100	100	100	80	59
August 25, 2025..........	7	3	0	0	0	100	100	95	71	52
August 25, 2026..........	6	2	0	0	0	100	100	86	63	45
August 25, 2027..........	5	1	0	0	0	100	100	77	55	38
August 25, 2028..........	3	0	0	0	0	100	95	68	48	32
August 25, 2029..........	2	0	0	0	0	100	85	59	41	27
August 25, 2030..........	1	0	0	0	0	100	74	51	34	21
August 25, 2031..........	0	0	0	0	0	93	64	43	28	17
August 25, 2032..........	0	0	0	0	0	81	55	36	23	13
August 25, 2033..........	0	0	0	0	0	70	47	30	18	10
August 25, 2034..........	0	0	0	0	0	58	38	24	14	8
August 25, 2035..........	0	0	0	0	0	46	29	18	10	5
August 25, 2036..........	0	0	0	0	0	34	21	13	7	4
August 25, 2037..........	0	0	0	0	0	21	13	8	4	2
August 25, 2038..........	0	0	0	0	0	15	9	5	3	1
August 25, 2039..........	0	0	0	0	0	9	5	3	2	1
August 25, 2040..........	0	0	0	0	0	2	1	1	*	*
August 25, 2041..........	0	0	0	0	0	*	*	*	*	*
August 25, 2042..........	0	0	0	0	0	*	*	*	*	*
August 25, 2043..........	0	0	0	0	0	*	*	*	*	*
August 25, 2044..........	0	0	0	0	0	*	*	*	*	*
August 25, 2045..........	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years) to Maturity	4.3	3.7	3.2	2.9	2.7	23.8	21.9	19.7	17.4	15.1

* Represents a number that is greater than zero but less than 0.5% of original Certificate Principal Balance.

(1) Notional Balance.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of PPC Set Forth Below

	Class A-3 and A-4 Certificates				
Distribution Date	**0%**	**50%**	**100%**	**150%**	**200%**
Initial Percentage	100%	100%	100%	100%	100%
August 25, 2012..........	92	91	90	90	89
August 25, 2013..........	69	67	66	64	63
August 25, 2014..........	51	49	47	45	43
August 25, 2015..........	37	35	32	30	28
August 25, 2016..........	30	28	25	22	20
August 25, 2017..........	24	21	18	15	13
August 25, 2018..........	23	20	17	14	12
August 25, 2019..........	22	19	16	13	10
August 25, 2020..........	21	18	15	12	9
August 25, 2021..........	20	17	13	11	8
August 25, 2022..........	19	16	12	10	8
August 25, 2023..........	18	15	11	9	7
August 25, 2024..........	17	14	10	8	6
August 25, 2025..........	16	13	10	7	5
August 25, 2026..........	15	12	9	6	4
August 25, 2027..........	14	11	8	6	4
August 25, 2028..........	13	9	7	5	3
August 25, 2029..........	12	8	6	4	3
August 25, 2030..........	11	7	5	3	2
August 25, 2031..........	9	6	4	3	2
August 25, 2032..........	8	6	4	2	1
August 25, 2033..........	7	5	3	2	1
August 25, 2034..........	6	4	2	1	1
August 25, 2035..........	5	3	2	1	1
August 25, 2036..........	3	2	1	1	*
August 25, 2037..........	2	1	1	*	*
August 25, 2038..........	1	1	1	*	*
August 25, 2039..........	1	1	*	*	*
August 25, 2040..........	*	*	*	*	*
August 25, 2041..........	*	*	*	*	*
August 25, 2042..........	*	*	*	*	*
August 25, 2043..........	*	*	*	*	*
August 25, 2044..........	*	*	*	*	*
August 25, 2045..........	0	0	0	0	0
August 25, 2046..........	0	0	0	0	0
August 25, 2047..........	0	0	0	0	0
August 25, 2048..........	0	0	0	0	0
August 25, 2049..........	0	0	0	0	0
August 25, 2050..........	0	0	0	0	0
August 25, 2051..........	0	0	0	0	0
Weighted Average Life (years) to Maturity......................	6.2	5.5	4.9	4.4	4.0

* Represents a number that is greater than zero but less than 0.5% of original Certificate Principal Balance.

The following tables indicate the sensitivity of the yield of the Class IO Certificates and the Class PO Certificates to various rates of prepayment on the mortgage loans and the corresponding pre-tax yield on a corporate bond equivalent basis.

Class	Price*
IO	**6.50%**

* The assumed purchase price of the Class IO Certificates does not include accrued interest. Accrued interest has been added to the price in calculating yields set forth in the table below.

Sensitivity of the IO Class to Prepayments

	PPC Prepayment Assumption				
	0%	**50%**	**100%**	**150%**	**200%**
Pre-Tax Yields to Maturity...........	14.5%	11.4%	8.0%	4.5%	1.0%

Class	Price*
PO	**85.00%**

* The assumed purchase price of the Class PO Certificates does not include accrued interest.

Sensitivity of the PO Class to Prepayments

	PPC Prepayment Assumption				
	0%	**50%**	**100%**	**150%**	**200%**
Pre-Tax Yields to Maturity...........	4.2%	4.8%	5.4%	5.8%	6.3%

COMBINATION AND RECOMBINATION

General

All or a portion of the Class A Certificates may be exchanged for a proportionate interest in related combinable and recombinable ("RCR") certificates ("RCR Certificates") in the combinations specified in Schedule 1. Moreover, all or a portion of the RCR Certificates may be exchanged for the Class A Certificates in the same manner. This process may occur repeatedly.

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

The Classes of Class A Certificates and RCR Certificates that are outstanding at any given time and the outstanding principal balances (or notional principal balances) of these Classes will depend upon distributions of principal (or notional principal balance reductions) on the related Classes and RCR

Certificates, as well as any exchanges that occur. The Class A Certificates and the RCR Certificates may be exchanged only in the proportions set forth in Schedule 1.

Procedures

If a Certificateholder wishes to exchange Class A Certificates, the Certificateholder must notify our Structured Transactions Department through one of our "REMIC Dealer Group" dealers in writing or electronically no later than two business days before the proposed exchange date. The exchange date can be any business day of the month, subject to our approval. The notice must include the original principal balance of both the Class A Certificates to be exchanged and the RCR Certificates to be received, and the proposed exchange date. Cancellation of an exchange requires Fannie Mae's consent.

In connection with each exchange, the Certificateholder must pay us an exchange fee. Certificateholders should contact the Structured Transactions Group at (202) 752-7875 for a determination of the exchange fee. In no event will our fee be less than $2,000.

We will make the first distribution on a Class A Certificate or an RCR Certificate received in an exchange transaction on the distribution date in the month following the exchange. We will make that distribution to the Certificateholder of record as of the close of business on the last day of the month of the exchange.

Payments

The Trustee will make the first distribution on an RCR Certificate or a Class A Certificate received in an exchange transaction on the Distribution Date in the following month to the Certificateholder of record as of the close of business on the last day of the month of the exchange.

In the event that all or a portion of the Class A Certificates are exchanged for the RCR Certificates as listed on Schedule 1 to this prospectus, such RCR Certificates will be entitled to a proportionate share, in the aggregate, of the interest and principal payments on the Class A Certificates, in the order of priority assigned to the Class A Certificates as described in the Information Memorandum. In addition, the RCR Certificates will bear a proportionate share, in the aggregate, of any related Realized Losses allocable to the Class A Certificates in the order of priority described in the Information Memorandum.

Voting Rights

In the event that all or a portion of the Class A Certificates are exchanged for a proportionate portion of the RCR Certificates, the RCR Certificates will be entitled to a proportionate share of the voting rights allocated to such Classes of Class A Certificates.

Additional Considerations

The characteristics of the RCR Certificates will reflect the characteristics of the Class A Certificates used to form those RCR Certificates. You should consider a number of factors that will limit your ability to exchange Class A Certificates for RCR Certificates or vice versa:

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

- A Certificateholder that does not own the necessary Class A Certificates or RCR Certificates, as applicable, may be unable to obtain the necessary Class A Certificates or RCR Certificates.

- If the proposed exchange would result in a Certificateholder holding a Class A Certificate or RCR Certificate of a Class in an amount less than the applicable minimum denomination for that class, the Certificateholder will be unable to effect the proposed exchange.

- The Holder of a Certificate needed to make a desired exchange may refuse to sell them at a reasonable price (or any price).

- Certificates may have been purchased and placed into other financial structures and thus be unavailable for exchange.

- Principal distributions will decrease the amounts available for exchange over time.

- Only the combinations set forth in Schedule 1 are permitted.

Class Definitions

Classes of Certificates fall into different categories. The chart found in **Exhibit A** to this prospectus identifies and generally defines the categories. The first column of the chart shows our abbreviation for each category. The cover page of this prospectus identifies the categories of Classes in the Trust by using one or more of these abbreviations.

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.

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; 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 Distribution Date in August 2051.

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 Class A Certificates

Our special tax counsel, Hunton & Williams 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 Class 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 Class 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 Class 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 Class A Certificate will be required to include in income its allocable share of the expenses paid by the Trust.

Each beneficial owner of a Class 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 Class 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 Beneficial Owners of RCR Certificates

The RCR Certificates will be created, sold and administered pursuant to an arrangement that will be classified as a trust under subpart E, part I of subchapter J of the Code. The Underlying REMIC Securities will be the assets of the trust, and the RCR Certificates will represent beneficial ownership interests in the corresponding classes of Underlying REMIC Securities. For a general discussion of the federal income tax treatment of beneficial owners of Underlying REMIC Securities, see "Certain Material Federal Income Tax Consequences" in the Information Memorandum.

Class A Certificates can be exchanged for RCR Certificates as set forth in Schedule 1. The beneficial ownership interest represented by RCR Certificates will be one of two types. A Certificate of a

Strip RCR class (a "Strip RCR Certificate") will represent the right to receive a disproportionate part of the principal or interest payments on one or more Underlying REMIC Securities. A Certificate of a Combination RCR Class (a "Combination RCR Certificate") will represent beneficial ownership of undivided interests in two or more Underlying REMIC Securities. The Class A-3 and Class A-4 Certificates are Combination RCR Certificates. The remaining classes of RCR Certificates are Strip RCR Certificates.

Strip RCR Classes. The U.S. federal income tax consequences to a beneficial owner of a Strip RCR Certificate will be determined under section 1286 of the Code, except as discussed below. Under section 1286, a beneficial owner of a Strip RCR Certificate will be treated as owning "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of its share of interest payments on the Underlying REMIC Securities. If a Strip RCR Certificate entitles the holder to payments of principal and interest on an Underlying REMIC Security, the IRS could contend that the Strip RCR Certificate should be treated (i) as an interest in the Underlying REMIC Security to the extent that the Strip RCR Certificate represents an equal pro rata portion of principal and interest on the Underlying REMIC Security, and (ii) with respect to the remainder, as an installment obligation consisting of "stripped bonds" to the extent of its share of principal payments or "stripped coupons" to the extent of its share of interest payments. For purposes of information reporting, however, Fannie Mae intends to treat each Strip RCR Certificate as a single debt instrument, regardless of whether it entitles the holder to payments of principal and interest. You should consult your own tax advisors as to the proper treatment of a Strip RCR Certificate in this regard.

Under section 1286 of the Code, the beneficial owner of a Strip RCR Certificate must treat the Strip RCR Certificate as a debt instrument originally issued on the date the owner acquires it and as having original issue discount ("OID") equal to the excess, if any, of its "stated redemption price at maturity" over the price paid by the owner to acquire it. The stated redemption price at maturity for a Strip RCR Certificate is determined in the same manner as described with respect to the Underlying REMIC Securities. See "—Taxation of Owners of Regular Certificates—Original Issue Discount" in the Information Memorandum.

If a Strip RCR Certificate has OID, the beneficial owner must include the OID in its ordinary income for federal income tax purposes as the OID accrues, which may be prior to the receipt of the cash attributable to that income. Although the matter is not entirely clear, a beneficial owner should accrue OID using a method similar to that described with respect to the accrual of OID on an Underlying REMIC Security under "—Taxation of Owners of Regular Certificates—*Original Issue Discount*" in the Information Memorandum. A beneficial owner, however, determines its yield to maturity based on its purchase price. For a particular beneficial owner, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time the Strip RCR Certificate is acquired or would be the original Prepayment Assumption for the Underlying REMIC Securities. For purposes of information reporting, Fannie Mae will use the original yield to maturity of the Strip RCR Certificate, calculated based on the original Prepayment Assumption. You should consult your own tax advisors regarding the proper method for accruing OID on a Strip RCR Certificate.

The rules of section 1286 of the Code also apply if (i) a beneficial owner of Class A Certificates exchanges them for Strip RCR Certificates, (ii) the beneficial owner sells some, but not all, of the Strip RCR Certificates, and (iii) the combination of retained Strip RCR Certificates cannot be exchanged for the related Class A Certificates. As of the date of such a sale, the beneficial owner must allocate its basis in the related Underlying REMIC Securities between the part of the Underlying REMIC Securities related to the Strip RCR Certificates sold and the part of the Underlying REMIC Securities related to the Strip RCR Certificates retained in proportion to their relative fair market values. Section 1286 of the Code treats the beneficial owner as purchasing the Strip RCR Certificates retained for the amount of the basis allocated to the retained certificates, and the beneficial owner must then accrue any OID with respect to the retained certificates as described above. Section 1286 does not apply, however, if a beneficial owner exchanges Class A Certificates for the related RCR Certificates and retains all the RCR Certificates. See "—*Exchanges*" below.

Upon the sale of a Strip RCR Certificate, a beneficial owner will realize gain or loss on the sale in an amount equal to the difference between the amount realized and its adjusted basis in the Certificate. The owner's adjusted basis generally is equal to the owner's cost of the Certificate (or portion of the cost of Underlying REMIC Securities allocable to the RCR certificate), increased by income previously included, and reduced (but not below zero) by distributions previously received and by any amortized premium. If the beneficial owner holds the Certificate as a capital asset, any gain or loss realized will be capital gain or loss, except to the extent provided under "—Sales of Certificates" in the Information Memorandum.

Although the matter is not free from doubt, if a beneficial owner acquires in one transaction (other than an exchange described below under "—*Exchanges*") a combination of Strip RCR Certificates that may be exchanged for Class A Certificates, the owner should be treated as owning the corresponding class of Underlying REMIC Securities, in which case section 1286 would not apply. If a beneficial owner acquires such a combination in separate transactions, the law is unclear as to whether the combination should be aggregated or each Strip RCR Certificate should be treated as a separate debt instrument. You should consult your tax advisors regarding the proper treatment of Strip RCR Certificates in this regard. For the treatment of Strip RCR Certificates received in exchange for Class A Certificates, see "—*Exchanges*" below.

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

Exchanges. If a beneficial owner exchanges one or more Class A Certificates for the related RCR Certificate or Certificates in the manner described under "**COMBINATION AND RECOMBINATION**" in this prospectus, the exchange will not be taxable. Likewise, if a beneficial owner exchanges one or more RCR Certificates for the related Class A Certificate or Certificates in the manner described in that discussion, the exchange will not be a taxable exchange. In each of these cases, the beneficial owner will be treated as continuing to own after the exchange the same combination of interests in the related Underlying REMIC Securities (or the same interest in the related Underlying REMIC Security) that it owned immediately prior to the exchange.

Tax Status. The Class A Certificates and the RCR Certificates should be considered to represent "real estate assets" within the meaning of section 856(c)(4)(A) of the Code and assets described in section 7701(a)(19)(C) of the Code. OID and interest accruing on such Certificates should be considered to represent "interest on obligations secured by mortgages on real property" within the meaning of section 856(c)(3)(B) of the Code and "qualified mortgages" under section 860G(a)(3) of the Code.

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-1 certificates, Class A-IO certificates and Class A-2 certificates representing “regular interests” in each REMIC elected by the Underlying Trust and treated as debt instruments of such REMIC and the underlying Class R 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-1 Certificate, Class A-IO Certificate and Class A-2 certificate will qualify as a “regular interest” in a “real estate mortgage investment conduit” and each underlying Class R 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-1 Certificates, Class A-IO Certificates and Class A-2 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 as “qualified mortgages” for other REMICs.

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.

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. federal income 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. If a beneficial owner does not qualify for exemption, distributions of interest, including distributions in respect of accrued OID, to such beneficial owner may be subject to U.S. withholding tax at a rate of 30%, subject to reduction under any applicable tax treaty.

Beneficial owners who are Non-U.S. Persons should be aware of recent legislation and IRS guidance that would impose a 30% United States withholding tax on certain payments (which could include payments in respect of a Certificate beginning on January 1, 2014 and gross proceeds from the sale or other disposition of a Certificate beginning on January 1, 2015) made to a non-U.S. entity that fails to disclose the identity of its direct or indirect "substantial U.S. owners" or to certify that it has no such owners. Various exceptions are provided under the legislation and additional exceptions may be provided in future guidance. You should consult your own tax advisor regarding the potential application and impact of this legislation based on your particular circumstances.

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 (other than the Class R certificates) from the Government Loan Securitization Trust 2011-FV1 into the Trust in exchange for the Certificates. We will sell $115,000,000 of the Class A-1 Certificates to Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Placement Agent (the "Placement Agent"). The Placement Agent will settle with investors in negotiated transactions at varying prices to be determined at the time of sale. The Placement Agent may effect these transactions to or through other dealers. We will initially retain the remaining certificates.

LEGAL MATTERS

Katten Muchin Rosenman LLP and, with respect to certain tax matters, Hunton & Williams LLP will provide legal representation for Fannie Mae. SNR Denton LLP will provide legal representation for the Placement Agent.

INDEX OF DEFINED TERMS

SCHEDULE 1

AVAILABLE COMBINATIONS(1)

CERTIFICATES		RCR CERTIFICATES						
Class	**Principal Balance**	**RCR Class**	**Principal Balance**	**Interest Rate(2)**	**Interest Type(3)**	**Principal Type(3)**	**CUSIP Number**	**Maturity Date**
Recombination 1								
A-1	$621,549,000	A-3	$690,610,448	(4)	WAC	SC/PT	3136A06R3	August 2051
A-2	$69,061,448							
Recombination 2								
A-1	$621,549,000	A-4	$690,610,448	(5)	WAC	SC/PT	3136A06S1	August 2051
A-2	$69,061,448							
A-IO	$621,549,000(6)							
Recombination 3								
A-1	$621,549,000	A-5	$621,549,000	1.50%	FIX	SC/SEQ	3136A06T9	August 2051
		IO	$248,619,600(7)	2.50%	FIX/IO	NTL	3136A06X0	August 2051
Recombination 4								
A-1	$621,549,000	A-6	$621,549,000	1.75%	FIX	SC/SEQ	3136A06U6	August 2051
		IO	$186,464,700(7)	2.50%	FIX/IO	NTL	3136A06X0	August 2051
Recombination 5								
A-1	$621,549,000	A-7	$621,549,000	2.00%	FIX	SC/SEQ	3136A06V4	August 2051
		IO	$124,309,800(7)	2.50%	FIX/IO	NTL	3136A06X0	August 2051
Recombination 6								
A-1	$621,549,000	A-8	$621,549,000	2.25%	FIX	SC/SEQ	3136A06W2	August 2051
		IO	$62,154,900(7)	2.50%	FIX/IO	NTL	3136A06X0	August 2051
Recombination 7								
A-1	$621,549,000	A-9	$565,044,545	2.75%	FIX	SC/SEQ	3136A06Y8	August 2051
		PO	$56,504,455	(8)	PO	SC/SEQ	3136A07G6	August 2051
Recombination 8								
A-1	$621,549,000	A-10	$517,957,500	3.00%	FIX	SC/SEQ	3136A06Z5	August 2051
		PO	$103,591,500	(8)	PO	SC/SEQ	3136A07G6	August 2051
Recombination 9								
A-1	$621,549,000	A-11	$478,114,615	3.25%	FIX	SC/SEQ	3136A07A9	August 2051
		PO	$143,434,385	(8)	PO	SC/SEQ	3136A07G6	August 2051

CERTIFICATES		RCR CERTIFICATES						
Class	Principal Balance	RCR Class	Principal Balance	Interest Rate[2]	Interest Type[3]	Principal Type[3]	CUSIP Number	Maturity Date
Recombination 10								
A-1	$621,549,000	A-12	$443,963,571	3.50%	FIX	SC/SEQ	3136A07B7	August 2051
		PO	$177,585,429	(8)	PO	SC/SEQ	3136A07G6	August 2051
Recombination 11								
A-1	$621,549,000	A-13	$414,366,000	3.75%	FIX	SC/SEQ	3136A07C5	August 2051
		PO	$207,183,000	(8)	PO	SC/SEQ	3136A07G6	August 2051
Recombination 12								
A-1	$621,549,000	A-14	$388,468,125	4.00%	FIX	SC/SEQ	3136A07D3	August 2051
		PO	$233,080,875	(8)	PO	SC/SEQ	3136A07G6	August 2051
Recombination 13								
A-1	$621,549,000	A-15	$365,617,059	4.25%	FIX	SC/SEQ	3136A07E1	August 2051
		PO	$255,931,941	(8)	PO	SC/SEQ	3136A07G6	August 2051
Recombination 14								
A-1	$621,549,000	A-16	$345,305,000	4.50%	FIX	SC/SEQ	3136A07F8	August 2051
		PO	$276,244,000	(8)	PO	SC/SEQ	3136A07G6	August 2051

(1) Class A Certificates and RCR Certificates may be exchanged only in the proportions of original principal or notional principal balances for the Classes shown in this Schedule 1 (disregarding any retired Classes). For example, if a particular recombination includes two Classes and one RCR Class whose original principal balances shown in the schedule reflect a 1:1:2 relationship, the same 1:1:2 relationship among the original principal balances of those Classes and RCR Classes must be maintained in any exchange. This is true even if, as a result of the applicable payment priority sequence, the relationship between their current principal balances has changed over time. Moreover, if as a result of the proposed exchange, a Certificateholder would hold a Certificate or an RCR Certificate of a class in an amount less than the applicable minimum denomination for that class, the Certificateholder will be unable to effect the proposed exchange. See "Combination and Recombination—Additional Considerations."

(2) For a description of interest and principal payments on RCR Certificates, see "Combination and Recombination—Payments" in this prospectus.

(3) For a description of principal and interest types and abbreviations, see Exhibit A.

(4) On each Distribution Date, we will pay interest on the Class A-3 Certificates at an annual rate equal to the *product* of (a) a fraction, expressed as a percentage, the numerator of which is the aggregate amount of interest accrued since the immediately preceding Distribution Date on the Class A-1 Certificates and the Class A-2 Certificates, and the denominator of which is the Certificate Principal Balance of the Class A-3 Certificates immediately preceding that Distribution Date, *multiplied by* (b) 12. For the period from the settlement date to the first Distribution Date, the Class A-3 Certificates are expected to bear interest at an annual rate of approximately 2.70%.

(5) On each Distribution Date, we will pay interest on the Class A-4 Certificates at an annual rate equal to the *product* of (a) a fraction, expressed as a percentage, the numerator of which is the aggregate amount of interest accrued since the immediately preceding Distribution Date on the Class A-1 Certificates, the Class A-2 Certificates and the Class A-IO Certificates, and the denominator of which is the Certificate Principal Balance of the Class A-4 Certificates immediately preceding that Distribution Date, *multiplied by* (b) 12. For the period from the settlement date to the first Distribution Date, the Class A-4 Certificates are expected to bear interest at an annual rate of approximately 4.54%.

(6) Notional Balance. As of any date of determination, the Notional Balance of the Class A-IO Certificates will be an amount equal to the Certificate Principal Balance of the Class A-1 Certificates as of such date of determination.

[7] Notional Balance. As of any date of determination, the Notional Balance of the Class IO Certificates will be an amount equal to 40% of the Certificate Principal Balance of the Class A-1 Certificates as of such date of determination.

[8] Principal Only Class.

Exhibit A

CLASS DEFINITIONS AND ABBREVIATIONS

Abbreviation	Category of Class	Definition
		PRINCIPAL/INTEREST TYPES
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used solely to determine interest distributions on an Interest Only class.
SC	Structured Collateral	Designed to receive principal payments based on the actual distributions on trust assets representing "regular interests" in a separate series trust.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule. In most cases, it receives payments of principal continuously from the first distribution date for that class until the class is retired. A single class that receives principal payments before or after all other classes in the same series of certificates may be identified as a Sequential Pay class.
IO	Interest Only	Receives some or all of the interest payments made on the related trust assets but no principal. Interest Only classes have a notional principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only class.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
PT	Pass-Through	Designed to receive principal payments in a fixed proportion to payments on the related trust assets.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period. A Weighted Average Coupon class may consist of components, some of which have different interest rates.

$690,610,448 (Approximate)

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

GOVERNMENT LOAN SECURITIZATION TRUST 2011-FV1
MORTGAGE-BACKED CERTIFICATES, SERIES 2011-FV1

BA RESIDENTIAL SECURITIZATION LLC
Depositor

FANNIE MAE
Guarantor

Government Loan Securitization Trust 2011-FV1 (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 fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration (“FHA”) or partially guaranteed by the U.S. Department of Veterans Affairs (“VA”) that are 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 Class A-1, Class A-IO and Class A-2 Certificates (collectively, the “Class A Certificates”) will have the benefit of a guaranty from Fannie Mae as further described herein (the “Fannie Mae Guaranty”). The Class A 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 or partially guaranteed by the VA. The Certificates will be limited recourse obligations of the Issuer and will not represent interests in or obligations of the Depositor, the Master Servicer, the Servicer, the Delaware Trustee, the Co-Trustee or the Custodian or any of their respective affiliates. The Class A Certificates will not be guaranteed or insured by the FHA, the VA, the RHS, the Department of Housing and Urban Development (“HUD”) or any other governmental agency or instrumentality other than Fannie Mae.

The Certificates are as follows:

Class	Original Certificate Balance(1)	Certificate Interest Rate	CUSIP
Class A-1 Certificates	$ 621,549,000	2.50%	38375F AA1
Class A-IO Certificates	$ 621,549,000(2)	Variable Rate(3)	38375F AB9
Class A-2 Certificates	$ 69,061,448	Variable Rate(4)	38375F AC7
Class R Certificates	N/A	N/A	38375F AD5

(1) Approximate. Subject to a permitted variance of plus or minus 5%.
(2) Notional Balance. As of any date of determination, the Notional Balance of the Class A-IO Certificates will be an amount equal to the Certificate Principal Balance of the Class A-1 Certificates as of such date of determination.
(3) Initially approximately 2.04% per annum; thereafter the excess, if any, of the Available Interest Rate Cap for such Distribution Date over the Certificate Interest Rate of the Class A-1 Certificates for such Distribution Date.
(4) Initially approximately 4.54% per annum; thereafter the Class A-2 Available Interest Rate Cap for such Distribution Date.

THE CERTIFICATES DESCRIBED HEREIN ARE SUBJECT TO CERTAIN RISK FACTORS, WHICH BEGIN ON PAGE 8.

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

THE CLASS A CERTIFICATES HAVE NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

THE CLASS R CERTIFICATES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER 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 in connection with the issuance of the Class A Certificates to Fannie Mae for deposit by Fannie Mae of the Class A Certificates in Fannie Mae Grantor Trust 2011-T2 (the “Fannie Mae Grantor Trust”) which will issue the Fannie Mae Guaranteed Grantor Trust Pass-Through Certificates 2011-T2 (the “Fannie Mae Guaranteed Grantor Trust Certificates”). It is a condition to the issuance of the Certificates that Fannie Mae guarantee the Class A Certificates as and to the extent described in this Information Memorandum. It is expected that the Certificates will be issued on or about August 30, 2011 (the “Closing Date”).

The date of this Information Memorandum is August 24, 2011

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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-1 Certificates (the "Class A-1 Certificates"), Class A-IO Certificates (the "Class A-IO Certificates"), Class A-2 Certificates (the "Class A-2 Certificates") and Class R Certificates (the "Class R Certificates" or the "Residual Certificates") (collectively, the "Certificates"). The Certificates will be issued pursuant to a trust agreement (the "Trust Agreement"), dated as of August 1, 2011, by and among the Depositor, the Guarantor, the Delaware Trustee and the Co-Trustee.

Distributions of interest and principal on the Certificates will be made solely from the Interest Distribution Amount and Principal Distribution Amount, respectively, 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 (other than the Class R 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 held by the Fannie Mae Grantor Trust.

The Class R Certificates will represent the residual interest in a REMIC and 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 August 1, 2011 (the "Cut-off Date").

Closing Date

On or about August 30, 2011.

Issuer

Government Loan Securitization Trust 2011-FV1, 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.

Originators

Washington Mutual Bank (or an affiliate thereof) and Wells Fargo Bank, N.A. (or an affiliate thereof) originated approximately 48.75% and 47.51% of the Mortgage Loans, respectively, by the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date (the "Cut-off Date Aggregate Balance"). No other entity originated more than 10% of the Mortgage Loans by Cut-off Date Aggregate Balance.

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

Servicer

Wells Fargo Bank, N.A., a national banking association ("Wells Fargo", "Wells Fargo Bank" and the "Servicer") will service the Mortgage Loans pursuant to an Acknowledgement and Recognition Agreement, dated as of August 1, 2011 (the "Acknowledgement and Recognition Agreement") among the Servicer, the Guarantor, the Master Servicer, the Co-Trustee and the Issuer, which incorporates and modifies designated provisions of an Amended and Restated Master Seller's Warranties and Servicing Agreement (as amended by Amendment No. 1 thereto, dated as of July 1, 2007), dated as of September 1, 2006, between Lehman Brothers Bank, FSB and Wells Fargo Bank, N.A. (the "Underlying Servicing Agreement, and together with the Acknowledgement and Recognition Agreement, the "Servicing Agreement").

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

Master Servicer

Aurora Loan Services LLC ("Aurora" and the "Master Servicer"), a Delaware limited liability company, will act as master servicer of the Mortgage Loans pursuant to the Servicing Agreement.

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

Custodian

U.S. Bank National Association, a national banking association (the "Custodian").

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

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 September 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 August 2051.

The Mortgage Pool

The mortgage pool (the "Mortgage Pool") will consist of approximately 7,346 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 $690,610,448. 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.

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 Cut-off Date Aggregate Balance) may be added or removed from the Trust prior to the Closing Date.

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.

Substantially all of the Mortgage Loans are insured by the FHA (the "FHA Loans") or partially guaranteed by the VA (the "VA Loans") and were originated in accordance with the underwriting guidelines of FHA or VA. All of the Mortgage Loans have been purchased from previously issued, Fannie Mae-guaranteed securitizations and have had their respective mortgage rates reduced at least once in connection with a loan modification.

We refer you to "The Mortgage Pool—The Mortgage Loans" and "The Mortgage Loan Purchase Agreement—Representations and Warranties Related to the Mortgage Loans" in this Information Memorandum.

The FHA Loans

The Seller will represent as of the Closing Date that each of the FHA 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 mortgage insurance provided by FHA with respect to the FHA Loans generally covers 100% of the outstanding unpaid principal balance of such Mortgage Loans. In addition, the FHA insurance covers a portion (generally, two-thirds) of the foreclosure costs and certain other costs of the Servicer. HUD also pays for unpaid mortgage interest, not at the mortgage note rate, but at the related debenture rate as described herein, and an allowance for expenditures made by the mortgagee after an FHA Loan default. The Servicer, however, will be required to advance principal and interest at the related net mortgage rate for the entire period of delinquency, subject to certain limitations described herein. Such advances made by the Servicer are generally recoverable by the Servicer, and to the extent such advances are not covered by either liquidation proceeds or FHA insurance and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur. Therefore, because FHA insurance benefits are subject to certain limitations, realized losses may occur on the FHA Loans.

We refer you to "The Mortgage Pool —The FHA Loans" in this Information Memorandum

The VA Loans

The Seller will represent as of the Closing Date that each of the VA Loans sold by it is partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended.

The amount of the VA guaranty is expressed as a percentage of the original principal balance of the VA Loan, subject generally to a dollar limit established by the VA. The liability on the guaranty is reduced *pro rata* with any reduction in the unpaid principal balance of the indebtedness. A realized loss will occur with respect to a defaulted VA Loan if (1) the VA denies conveyance of such defaulted VA Loan and (2) (a) the sum of the remaining guaranty amount and the sale proceeds of the foreclosed property is less than (b) the sum of (i) the unpaid principal balance of the VA Loan, (ii) accrued and unpaid interest thereon, and (iii) the amount necessary to reimburse any unreimbursed advances, and if the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae

Guaranty, losses to holders of the Class A Certificates could occur.

In addition to the foregoing, to the extent that the VA denies or curtails claims on the Mortgage Loans, and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

We refer you to "The Mortgage Pool —The VA Loans" in this Information Memorandum.

Fees

On each Distribution Date, the Servicer will be entitled to receive a servicing fee (the "Servicing Fee") for each Mortgage Loan equal to the product of (i) 1/12, (ii) 0.44% or 0.50%, as applicable, and (iii) the Stated Principal Balance of such Mortgage Loan as of the first day of the related Collection Period. On each Distribution Date, the Master Servicer will be entitled to receive a master servicing fee (the "Master Servicing Fee") for each Mortgage Loan equal to the product of (i) 1/12, (ii) 0.0225% and (iii) the aggregate Certificate Principal Balance of the Class A Certificates immediately prior to such Distribution Date. The Co-Trustee will 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 Custodian will be entitled to receive fees as provided in the Custodial Agreement.

These amounts and other amounts in respect of indemnification, taxes and Extraordinary Trust Expenses of these parties will be paid or covered by 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 deposit collections on the Mortgage Loans into the custodial account established by it pursuant to the Servicing Agreement for the benefit of the Certificateholders (the "Custodial Account") within two business days of receipt thereof. In addition, if the Guarantor directly receives FHA/VA/RHS Proceeds on a Mortgage Loan from the FHA, VA or RHS, the Guarantor will reimburse the Servicer for any outstanding Advances, Servicing Advances and/or Pre-Existing Advances relating to such Mortgage Loan. If, however, the Servicer directly receives the Loan Proceeds (including the FHA/VA/RHS Proceeds) on a Mortgage Loan, the Servicer may reimburse itself for any outstanding Advances, Servicing Advances and/or Pre-Existing Advances from such Loan Proceeds on deposit in the Custodial Account in accordance with the Servicing Agreement. On the eighteenth (18th) day of each calendar month, commencing in September 2011, or if the 18th day is not a business day, the first business day immediately prior (each such date, a "Servicer Monthly Remittance Date") the Servicer will transfer the Interest Remittance Amount and Principal Remittance Amount received by it during the preceding Collection Period, net of any amounts permitted to be reimbursed to or retained by the Servicer, to the Master Servicer for deposit into the collection account established by the Master Servicer pursuant to the Servicing Agreement for the benefit of the Certificateholders (the "Collection Account"). On the twenty-third (23rd) day of each calendar month, commencing in September 2011, or if the 23rd day is not a business day, the first business day immediately prior (each such date, a "Master Servicer Monthly Remittance Date") the Master Servicer will transfer the Interest Remittance Amount (net of the Master Servicing Fee) and Principal Remittance Amount remitted to it by the Servicer on the related Servicer Monthly Remittance Date 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").

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 declines below 1% of the Cut-off Date Aggregate Balance, the Co-Trustee will conduct an auction to sell the Mortgage Loans 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

Interest Distribution Amount

The Interest Distribution Amount will be distributed in the following order of priority:

(i) *pro rata*, based on amounts due, to the Custodian and the Co-Trustee, the Custodial Fee and the Co-Trustee Fee, respectively, for such Distribution Date, and to such parties, the Master Servicer and the Delaware Trustee, any Extraordinary Trust Expenses (up to the Extraordinary Trust Expense Cap) for such Distribution Date, plus any such fees and Extraordinary Trust Expenses (up to the Extraordinary Trust Expense Cap) unpaid from prior Distribution Dates;

(ii) to the Guarantor, its Guaranty Fee for such Distribution Date and any unpaid Guaranty Fees from prior Distribution Dates;

(iii) to the holders of the Class A-1 Certificates and Class A-IO Certificates, *pro rata*, based on the amounts due, the Accrued Certificate Interest for such Certificates for such Distribution Date, plus, in the case of the Class A-1 Certificates only, to the extent the Guarantor fails to remit a required Guaranteed Amount as described in clause (1) of the definition thereof in respect of the Class A-1 Certificates, any accrued but unpaid Accrued Certificate Interest for the Class A-1 Certificates from prior Distribution Dates;

(iv) to the holders of the Class A-2 Certificates, the Accrued Certificate Interest for such Certificates for such Distribution Date;

(v) to the Guarantor, in reimbursement for any Guaranteed Amounts paid by the Guarantor, to the extent not previously reimbursed;

(vi) to the Delaware Trustee, the Custodian, the Co-Trustee and the Master Servicer, 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; and

(vii) all remaining amounts to the holders of the Class R Certificates, as set forth in the Trust Agreement.

Principal Distribution Amount

The Principal Distribution Amount will be distributed in the following order of priority

(i) to the Guarantor, its Guaranty Fee and any unpaid Guaranty Fees from prior Distribution Dates, in each case to the extent not paid pursuant to clause (ii) under "Priority of Distributions—Interest Distribution Amount" above;

(ii) to the holders of the Class A-1 Certificates, in reduction of the Certificate Principal Balance thereof, until the Certificate Principal Balance thereof has been reduced to zero;

(iii) to the holders of the Class A-2 Certificates, in reduction of the Certificate Principal Balance thereof, until the Certificate Principal Balance thereof has been reduced to zero;

(iv) to the Guarantor, in reimbursement for any Guaranteed Amounts paid by the Guarantor, to the extent not previously reimbursed, to the extent not paid pursuant to clause (v) under "Priority of Distributions—Interest Distribution Amount" above; and

(v) all remaining amounts to the holders of the Class R Certificates, as set forth in the Trust Agreement.

Accrual 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 or Notional Balance, as applicable, 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—Principal Distribution Amount" above and under *"Description of the Certificates—Priority of Distributions—Principal Distribution Amount"* 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) the excess, if any, of the sum of Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date over the Interest Remittance Amount available on such Distribution Date to pay the Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date, (2) (A) following each date on which the Servicer notifies the Guarantor that it has submitted a claim to the FHA or the VA (the "Claim Date") which occurs during the related Collection Period, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of such Claim Date and (B) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Claim Date and during the related Collection Period, the excess, if any, of (x) the Stated Principal Balance of the related Mortgage Loan immediately prior to the time of such liquidation over (y) the Liquidation Proceeds received on such Mortgage Loan (such excess, the "Short Sale Difference Amount") and (3) on the Final Scheduled Distribution Date, the excess, if any, of the aggregate Certificate Principal Balance of the Class A-1 Certificates and Class A-2 Certificates immediately prior to the Final Scheduled Distribution Date over the Principal Remittance Amount available to make payments described in clauses (ii) and (iii) under "Description of the Certificates—Priority of Distributions—Principal Distribution Amount" on the Final Scheduled Distribution Date. If Fannie Mae were unable to pay under the Fannie Mae Guaranty, the Class A Certificates could be subject to losses and additional shortfalls.

Upon the Guarantor remitting a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be remitted directly to the Guarantor by the FHA, VA, RHS or the Servicer, and to the extent such FHA/VA/RHS Proceeds and or Liquidation Proceeds relate to the Guaranteed Amount so remitted, all such FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, will not be included in the Interest Remittance Amount and/or Principal Remittance Amount, provided that if the Guarantor fails to remit a required Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be included in the Interest Remittance Amount and/or Principal Remittance Amount. Further, if after the Guarantor remits a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan and the Guarantor receives all of the FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, relating to such Mortgage Loan, the Guarantor will reimburse the Servicer for Advances, Servicing Advances and/or Pre-Existing Advances relating to such Mortgage Loan to the extent the Servicer has not reimbursed itself for such Advances, Servicing Advances and Pre-Existing Advances from amounts on deposit in the Custodial Account in accordance with the Servicing Agreement.

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

Yield, Prepayment 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, purchases of defective Mortgage Loans from the Issuer by Fannie Mae and an auction call, if it occurs) on the 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, it is not possible to predict the rate at which holders of the Certificates will receive payments of principal.

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

United States Federal Income Tax Consequences

One or more elections will be made to treat the Issuer 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 Class A 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. The Certificates are complex securities. 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.

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) the excess, if any, of the sum of Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date over the Interest Remittance Amount available on such Distribution Date to pay the Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date, (2) (A) following each Claim Date which occurs during the related Collection Period, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of such Claim Date and (B) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Claim Date and during the related Collection Period, the Short Sale Difference Amount for such Mortgage Loan and (3) on the Final Scheduled Distribution Date, the excess, if any, of the aggregate Certificate Principal Balance of the Class A-1 Certificates and Class A-2 Certificates immediately prior to the Final Scheduled Distribution Date over the Principal Remittance Amount available to make payments described in clauses (ii) and (iii) under "Description of the Certificates—Priority of Distributions—Principal Distribution Amount" on the Final Scheduled Distribution Date. If Fannie Mae were unable to pay under the Fannie Mae Guaranty, the Class A Certificates could be subject to losses and additional shortfalls.

Upon the Guarantor remitting a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be remitted directly to the Guarantor by the FHA, VA, RHS or the Servicer, and to the extent such FHA/VA/RHS Proceeds and or Liquidation Proceeds relate to the Guaranteed Amount so remitted, all such FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, will not be included in the Interest Remittance Amount and/or Principal Remittance Amount, provided that if the Guarantor fails to remit a required Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be included in the Interest Remittance Amount and/or Principal Remittance Amount. Further, if after the Guarantor remits a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan and the Guarantor receives all of the FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, relating to such Mortgage Loan, the Guarantor will reimburse the Servicer for Advances, Servicing Advances and/or Pre-Existing Advances relating to such Mortgage Loan to the extent the Servicer has not reimbursed itself for such Advances, Servicing Advances and/or Pre-Existing Advances from amounts on deposit in the Custodial Account in accordance with the Servicing Agreement.

Mortgage Loans Were All Previously Modified

Prior to the sale of the Mortgage Loans from the Seller to the Depositor pursuant to the Mortgage Loan Purchase Agreement, all of the Mortgage Loans were included in existing securitization trusts. Each of the Mortgage Loans had been delinquent and had its mortgage rate reduced in connection with a loan modification. Prospective holders of the Certificates should consider the prior delinquency and loan modification history of the Mortgage Loans in their evaluation of the Certificates. There can be no assurance that the previous loan modification will prevent any Mortgage Loan from defaulting again, or that future loan modifications further reducing a Mortgage Loan's mortgage rate will not occur. The Class A-IO Certificates and Class A-2 Certificates accrue interest at variable rates and the Fannie Mae Guaranty only covers interest at those variable rates. As a result, any modifications that reduce the interest rate on the Mortgage Loans will reduce the amount of Accrued Certificate Interest on the Class A-IO and Class A-2 Certificates and the Fannie Mae Guaranty will not cover the amount of any such interest rate reduction on the Mortgage Loans.

Limitations on FHA Insurance and the VA Guaranty

Fannie Mae will represent as of the Closing Date that each Mortgage Loan sold by it has the benefit of (i) FHA insurance (each such Mortgage Loan, an "FHA Loan" and each such certificate of insurance referred to herein as an "FHA Policy"), as described under "The Mortgage Pool—FHA Loans" or (ii) a VA partial guaranty (each such Mortgage Loan, a "VA Loan" and each such partial guaranty referred to herein as a "VA Guaranty"), as described under "The Mortgage Pool—VA Loans." The benefits of the related FHA Policy or VA Guaranty as to each Mortgage Loan are limited as described herein. To the extent the Issuer incurs losses on the Mortgage Loans, insurance payable by the FHA or guaranty payments payable the VA, as applicable, may be insufficient to cover such losses. As a result, to the extent the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates would occur.

Further, the availability of FHA insurance and the VA guaranty, as applicable, is subject to a number of conditions, including strict compliance by the Servicer and the Co-Trustee with FHA regulations and VA regulations, as applicable, regarding the transfer, servicing and holding of the Mortgage Loans. See "—Servicing Errors May Reduce or Eliminate FHA Insurance or VA Guaranty Benefits" below.

Fannie Mae

General

Fannie Mae will guarantee distributions on the Class A 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 Obama administration will work with FHFA to determine the best way to wind down responsibly 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 the 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 was placed into receivership, or if it emerged from conservatorship and was then again placed into conservatorship, the receiver or conservator, as applicable, would have the right to repudiate the Fannie Mae Guaranty. The FHFA has not to date repudiated any of Fannie Mae's existing guaranties.

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 Class A Certificates may be materially affected by changes in the status of long-term reform of Fannie Mae.

Ratings Matters

Standard and Poor's Ratings Services

On August 8, 2011, Standard and Poor's Ratings Services ("Standard & Poor's") announced that it had downgraded Fannie Mae senior unsecured long-term debt from "AAA" to "AA+" with a negative outlook. This announcement followed a similar action by Standard & Poor's taken on August 5, 2011 on the United States sovereign long term debt rating. Standard & Poor's also announced that Fannie Mae's debt ratings were no longer on CreditWatch Negative, and that the ratings on Fannie Mae short-term debt and subordinated debt remain unchanged at "A-1+" and "A", respectively.

The action taken by Standard & Poor's with respect to Fannie Mae's ratings was announced at the same time as similar ratings actions on other institutions with ties to the United States Government, including Freddie Mac, select Federal Home Loan Banks, and the Farm Credit System.

Moody's Investors Service

On August 2, 2011, Moody's Investors Service ("Moody's") confirmed the "Aaa" rating of institutions directly linked to the United States Government, including Fannie Mae. Moody's also announced that the rating outlook for Fannie Mae and other institutions directly linked to the United States Government was being revised to negative, following a similar revision on the outlook of the United States Government.

Fitch Ratings Limited

On August 16, 2011, Fitch Ratings Limited ("Fitch") affirmed the long-term issuer default rating and senior unsecured debt rating of Fannie Mae at 'AAA', with a Ratings Outlook of Stable, following a similar affirmation of the United States sovereign rating. Fitch has previously indicated that the ratings of Fannie Mae and other issuers with ties to the United States Government would ultimately be aligned with the United States sovereign rating assigned by Fitch.

For additional information on the impacts of a credit rating downgrade on Fannie Mae and its securities, please refer to Fannie Mae's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, including the Risk Factors set forth in that Quarterly Report.

The Mortgage Loans May Have Document Deficiencies Which Will Not Result in a Purchase of such Mortgage Loans from the Issuer Unless They Result in a Denial of an FHA Claim or a VA Claim

With respect to each Mortgage Loan, the only document for which a certification will be obtained from the Custodian will be for the related mortgage note (or a lost note affidavit or a lost note instrument bond). No certification will be obtained at any point from the Custodian, the Delaware Trustee or the Co-Trustee with respect to the mortgage files other than with respect to the certification provided by the Custodian with respect to the mortgage note (or a lost note affidavit or a lost note instrument bond). As a result, significant delays in foreclosure, an inability to foreclose, an inability to assign FHA Loans to HUD or an inability to assign VA Loans to the VA 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 or lost note instrument bond), the Seller will be obligated to purchase such Mortgage Loan from the Issuer at the Purchase 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 the lost note instrument bond) or such documents are defective, the Seller will be obligated to purchase such Mortgage Loan from the Issuer at the Purchase 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 or VA claim, as applicable. The Seller will be obligated to purchase such Mortgage Loan from the Issuer within 90 days after receiving notice of the denial of any such FHA claim or VA claim, as applicable, so long as the insurance or guaranty, as applicable, relating to such claim has not been reinstated. However, if the Seller does not purchase such Mortgage Loan from the Issuer and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

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. As a result of such damage, the FHA or the VA may deem a Mortgage Loan nonconveyable. If the Mortgage Loan is deemed nonconveyable, and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

Servicing Errors May Reduce or Eliminate FHA Insurance or VA Guaranty Benefits

To maintain the FHA insurance or VA guaranty on the Mortgage Loans, the Servicer must service the Mortgage Loans in accordance with the regulations of the applicable federal agency. These regulations are complex and subject to interpretation. To the extent that servicing deviates from the applicable guidelines, insurance or guaranty claims otherwise payable on the related Mortgage Loans may be delayed, reduced or eliminated. Although the Servicer is required, to the extent provided in the Servicing Agreement, to reimburse the Guarantor or the Issuer, as applicable, for any loss or interest curtailment caused by the Servicer's failure to take all reasonable actions necessary to maintain such insurance, there can be no assurance that the Servicer will comply with these obligations or have the financial or other ability to comply with such obligations.

In addition, there have recently been reports that the FHA and VA are or may be increasing their scrutiny of claims and of servicing and origination practices in response to greater levels of claims in the FHA/VA sector. The Servicing Agreement provides that to the extent a denial or curtailment of FHA/VA claim proceeds with respect to any Mortgage Loan is the result of the failure of the Servicer to adhere to the applicable program guidelines, the Servicer shall be required to remit to the Issuer from its own funds the difference between the amount of the

FHA/VA claim proceeds which should have been received with respect to such Mortgage Loan (assuming no denial or curtailment) and the amount of FHA/VA claim proceeds actually received with respect to such Mortgage Loan. To the extent that the FHA or VA denies or curtails claims on the Mortgage Loans, and if the Servicer fails or is unable to make any payments required of it as described in the preceding sentence and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

Recent Developments with Respect to the Servicer

Wells Fargo Bank, in its capacity as servicer, has previously delivered its 2008, 2009, and 2010 assessments of compliance under Item 1122 of Regulation AB. In its 2008 assessment of compliance, Wells Fargo Bank reported that it had complied, in all material respects, with the applicable servicing criteria set forth in Item 1122(d) of Regulation AB as of and for the year ended December 31, 2008 with respect to the primary servicing of residential mortgage loans by its Wells Fargo Home Mortgage Division. In its 2009 assessment of compliance, Wells Fargo Bank reported that it had complied, in all material respects, with the applicable servicing criteria set forth in Item 1122(d) of Regulation AB as of and for the year ended December 31, 2009 with respect to the primary servicing of residential mortgage loans by its Wells Fargo Home Mortgage Division. In its 2010 assessment of compliance, Wells Fargo Bank reported that it had complied, in all material respects, with the applicable servicing criteria set forth in Item 1122(d) of Regulation AB as of and for the year ended December 31, 2010 with respect to the primary servicing of residential mortgage loans by its Wells Fargo Home Mortgage Division, except with respect to Item 1122(d)(4)(vii) - Foreclosure Process. Following a review of its foreclosure procedures related to affidavit preparation and execution, Wells Fargo Bank identified practices where final steps relating to the execution of foreclosure affidavits (review and signature), as well as some aspects of the notarization process for such affidavits, were not adhered to. Out of an abundance of caution and to provide an additional level of assurance regarding its processes, Wells Fargo Bank submitted supplemental affidavits in foreclosure actions pending before courts in judicial foreclosure states.

On March 31, 2011, Wells Fargo Bank entered into a Consent Order with the Office of the Comptroller of the Currency (OCC) under which the OCC made certain findings in connection with Wells Fargo Bank's foreclosure practices, which findings Wells Fargo Bank neither admitted nor denied. Wells Fargo Bank agreed in the consent order, among other things, and subject to the OCC's approval (i) to establish a Compliance Committee to monitor and coordinate Wells Fargo Bank's compliance with the Consent Order; (ii) to create a comprehensive Action Plan describing the actions needed to achieve compliance with the Consent Order; (iii) to submit an acceptable compliance plan to ensure that its mortgage servicing and foreclosure operations, including loss mitigation and loan modification, comply with legal requirements, OCC supervisory guidance, and the terms of the Consent Order; (iv) to submit a plan to ensure appropriate controls and oversight of Wells Fargo Bank's activities with respect to the Mortgage Electronic Registration System; (v) to take certain other actions with respect to its mortgage servicing and foreclosure operations; and (vi) to conduct a foreclosure review through an independent consultant on certain residential foreclosure actions.

On April 4, 2011, Wells Fargo & Company ("WFC") entered into a Consent Order with the Board of Governors of the Federal Reserve pursuant to which WFC agreed, among other things, (i) to ensure Wells Fargo Bank's compliance with the OCC Consent Order; (ii) to develop for the Federal Reserve's approval a written plan to enhance its Enterprise Risk Management with respect to oversight of residential mortgage loan servicing; (iii) to develop for the Federal Reserve's approval a written plan to enhance its enterprise-wide compliance program with respect to oversight of residential mortgage loan servicing; and (iv) to develop for the Federal Reserve's approval a written plan to enhance the internal audit program with respect to residential mortgage loan servicing. Neither Consent Order provided for civil money penalties but both government entities reserved the ability to seek such penalties and WFC reserved the ability to oppose the imposition of such penalties.

Other government agencies, including state attorneys general and the U.S. Department of Justice, continue to investigate various mortgage related practices of Wells Fargo Bank. These investigations could result in material fines, penalties, equitable remedies (including requiring default servicing or other process changes), or other enforcement actions, and result in significant legal costs to Wells Fargo Bank in responding to governmental investigations and additional litigation.

Extension Risk and Debenture Risk

Under the FHA mortgage insurance program's loss mitigation procedures, the Servicer may enter into a modification agreement with a mortgagor to extend the term of a Mortgage Loan for up to ten years (the maximum term after the modification can be no longer than thirty years). Similarly, the VA also permits the Servicer to modify the terms of a Mortgage Loan under certain circumstances. If the Servicer agreed to such an extension of an FHA-insured or VA-guaranteed Mortgage Loan, the payment of principal on the Certificates would be delayed (but not past the Final Scheduled Distribution Date) rather than being made from the Fannie Mae Guaranty or payments being made as scheduled.

FHA has the option to settle claims made with respect to losses on defaulted FHA insured loans by delivering FHA debentures rather than cash. The debentures can have a maturity as long as twenty years. If debentures are issued by FHA to the Servicer or Co-Trustee on behalf of the Issuer, they may be sold immediately by such party, with the proceeds being passed through to Certificateholders. If FHA actually issued debentures that could not be sold for par and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

Incontestability of FHA Insurance Can Be Compromised Due to Fraud or Misrepresentation

Section 203(e) of the National Housing Act (12 U.S.C. 1709(e)) provides that, with respect to FHA-insured mortgage loans, "the validity of any contract of insurance [executed by the Secretary of HUD] . . . shall be incontestable in the hands of an . . . approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such . . . mortgagee." If HUD were to successfully challenge the transfer of the Mortgage Loans to the Co-Trustee and deem the Seller to be the mortgagee of record with respect to those Mortgage Loans, then any fraud or misrepresentation in connection with the FHA insurance attributable to the Seller could adversely affect recoveries under the contracts of insurance.

Although Section 203(e) of the National Housing Act provides that if a mortgage insurance certificate is issued, the validity of the contract of insurance relating to the Mortgage Loans will be incontestable in the absence of fraud or misrepresentation by the Servicer or Co-Trustee, the Issuer is currently unaware of any legal authority that has interpreted how Section 203(e) of the National Housing Act would apply to transactions that are similar to the transactions contemplated by the issuance of the Certificates. Therefore, investors must come to their own conclusions as to how Section 203(e) of the National Housing Act will impact FHA's ability to successfully contest any insurance claim with respect to a FHA Loan in the Trust.

Failure to Advance Could Result in Delays in Distributions to the Certificates

The Servicer will make Advances with respect to delinquent payments of principal and interest on the Mortgage Loans to the extent that the Servicer reasonably believes that the Advances can be repaid from future payments on the related Mortgage Loans. These Advances are only intended to maintain a regular flow of scheduled interest and principal payments on the Certificates and are not intended to guarantee or insure against losses. Any failure by the Servicer to make an Advance as required under the Servicing Agreement will constitute an event of default thereunder, in which case the entity that is appointed by the Master Servicer at the direction of the Guarantor as successor servicer, will be obligated to make Advances in accordance with the terms of the Servicing Agreement and HUD regulations. To the extent the Servicer fails to make a required Advance or determines the amount of the Advances to be unrecoverable, delays in distributions to the Certificates may occur. The Master Servicer will have no obligation to make a required Advance that the Servicer fails to make.

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.

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 mortgaged-backed securities ("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. 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 the Certificates*".

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, the FHA, the VA or the RHS

Certificateholders will not have any direct rights against HUD or the FHA with respect to the contract of insurance applicable to any FHA Loan or against the VA with respect to any guaranty applicable to any VA Loan or against the RHS with respect to the RHS 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 Master Servicer, and the Co-Trustee, as mortgagee, to enforce any claims against HUD, the FHA, the VA or the RHS.

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

As a result, certain amendments, modifications or waivers to the Trust Agreement, and all amendments, modifications or waivers to the Servicing Agreement, may be effected without Certificateholder consent. Unless in accordance with specific procedure set forth in the Trust Agreement, 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. 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; Transfer of Servicing"* in this Information Memorandum.

In addition, pursuant to the Trust Agreement, the holders of the Class A-1, Class A-IO and Class A-2 Certificates agree that, upon the Guarantor paying any Guaranteed Amount under the Fannie Mae Guaranty with respect to the Class A-1, Class A-IO and Class A-2 Certificates and until such time as the Guarantor has been paid in full for all Guaranteed Amounts, the Guarantor will be treated by the Co-Trustee, the Delaware Trustee and the Issuer as if the Guarantor held a 100% interest in the Certificates of such class for the purpose of the giving of any consent under the Trust Agreement, the making of any direction under the Trust Agreement or the exercise of any voting or other control rights otherwise given to such Certificateholders under the Trust 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 (or Notional Balance, as applicable) of Class A 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 Custodian, the Co-Trustee, the Master Servicer and the Delaware Trustee (on a pro rata basis) from the Interest Distribution Amount prior to making any interest distributions on the Certificates. Any such Extraordinary Trust Expenses that are so paid will reduce amounts available to make interest distributions on the Certificates.

This Information Memorandum Contains Summary and Limited Information Regarding the Transaction Documents, FHA Insurance, VA Guaranty 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, the VA guaranty 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, the VA guaranty and to the Mortgage Loans.

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

Approximately 20.63%, 12.06%, 5.41% and 5.24% of the Mortgage Loans (by Cut-off Date Aggregate Balance) are secured by mortgaged properties located in Texas, Georgia, Illinois and North Carolina, 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, various regions of the United Stated have experienced or may experience in the future natural disasters, including earthquakes, fires, oil spills, floods, hurricanes, tornados 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. If the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

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 Custodian, the Servicer, the Master Servicer 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 Custodian, the Servicer, the Master Servicer, 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 Custodian, the Servicer, the Master Servicer, 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.

Restrictions on Transfer of the Residual Certificates

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 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.

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 Cut-off Date Aggregate Balance.

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 prepay or be removed from the assets of the Issuer if the Depositor deems such removal necessary or desirable. 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 Cut-off Date Aggregate Balance of the Mortgage Loans is subject to a variance of plus or minus 5%.

The Mortgage Loans

The mortgage pool (the "Mortgage Pool") will consist of approximately 7,346 mortgage loans, approximately 6,719 of which are insured by the FHA (the "FHA Loans"), approximately 626 of which are partially guaranteed by the VA (the "VA Loans") and one of which is partially guaranteed by the Rural Housing Service of the United States Department of Agriculture (the "RHS Loan" and, collectively with the FHA Loans and the VA Loans, the "Mortgage Loans") with a Cut-off Aggregate Date Balance of approximately $690,610,448.

The Mortgage Loans are secured by mortgages or deeds of trust or other similar security instruments creating first liens on residential properties.

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.

The Mortgage Loans were originated by the Originators. See "The Originators" in this Information Memorandum.

FHA Loans

The FHA Loans will be insured by the Federal Housing Administration ("FHA") of the United States Department of Housing and Urban Development ("HUD") as authorized under the United States Housing Act. No FHA Loan may have an interest rate or original principal amount exceeding the applicable FHA limits at the time of origination of such FHA Loan.

FHA is an organizational unit within HUD. FHA was established to encourage improvement in housing standards and conditions and to exert a stabilizing influence on the mortgage market. FHA provides insurance for private lenders against loss on eligible mortgages. Under the FHA insured single-family mortgage insurance program, an FHA insured home mortgage may be made to borrowers meeting certain credit standards by an approved mortgage lender. FHA insures payment to the holder of that mortgage loan in the event of default by the borrower.

Although new FHA loans are made only to creditworthy borrowers, if the loan was originated prior to December 1, 1986, FHA historically has permitted a borrower to sell his or her home to a new homeowner, subject to the existing FHA loan, without requiring a determination whether the new homeowner would be a creditworthy borrower. In those instances, the original borrower was not relieved of liability for the mortgage note, although no assurance can be made that such mortgage note can be enforced against the original borrower. Moreover, to the extent the new homeowner has not executed an agreement to assume the mortgage debt, the mortgage note cannot be enforced against the new homeowner. The FHA loan, however, would remain secured by the related mortgaged property and the FHA insurance would remain in effect. The regulations governing assumptions on FHA loans have varied in many respects over the years during which the FHA Loans in the Mortgage Pool were originated. With respect to FHA loans originated after December 1, 1986, the new borrower would have to qualify for the mortgage loan under the FHA's creditworthiness assumption process.

For most of its mortgage insurance programs, FHA collects an initial mortgage insurance premium and an annual insurance premium, which is collected in monthly installments. The monthly premium varies by program, and based on the outstanding principal balance. The regulations governing FHA insured single-family mortgage insurance programs generally provide that insurance benefits are payable upon (i) assignment of a defaulted FHA Loan to HUD, subject to HUD approval, (ii) sale of the related mortgaged property by the mortgagor in connection with a defaulted FHA Loan prior to foreclosure (a "pre-foreclosure sale"), (iii) acquisition of the related mortgaged property by the mortgagee upon foreclosure (or deed-in-lieu of foreclosure) and conveyance of the related mortgaged property to HUD in connection with a defaulted FHA Loan, (iv) sale of the related mortgaged property upon foreclosure without conveyance of the mortgaged property to HUD. With respect to a defaulted FHA Loan, the Servicer may be limited in its ability to assign the defaulted FHA Loan to HUD or initiate foreclosure proceedings immediately upon default because FHA requires lenders to apply, when appropriate in accordance with HUD regulations, a variety of loss mitigation options to avoid initiating foreclosure including, but not limited to, special forbearance, mortgage modification, pre-foreclosure sales and deeds-in-lieu of foreclosure to cure a default or provide relief to the mortgagor. For instance, the Servicer may enter into a modification agreement with the borrower that (i) extends the maturity date of the loan term of an FHA Loan up to the maximum term of thirty years permitted by HUD regulations, which in some cases shall extend the original maturity date of such FHA Loan and (ii) that reduces the applicable Mortgage Rate. Such an extension would extend the weighted average lives of the Certificates and a rate reduction would reduce the amount of interest available to be paid to the Class A Certificates. Furthermore, under certain circumstances, loss mitigation strategies may be attempted after foreclosure has been initiated which may result in a canceled foreclosure action. For loan modifications, certain legal fees and foreclosure costs in connection with canceled foreclosures may be capitalized into a modified principal balance. FHA's loss mitigation procedures also permit lenders under certain circumstances to submit partial claims for FHA insurance benefits. The Servicer may implement FHA-HAMP with respect to a defaulted FHA Loan consistent with such loss mitigation procedures and the Servicing Agreement. See "The Servicer—FHA Loan Servicing Procedures."

The Servicer will act on behalf of the Co-Trustee as the contract of insurance holder for the benefit of the Issuer and, as such, will submit all claims to HUD. Under certain circumstances, as set forth in the regulations, HUD is authorized to request or require the Servicer to pursue a deficiency judgment against any defaulting mortgagor in connection with a foreclosure. With respect to claims filed for insurance benefits on such mortgages, any judgment obtained by the mortgagee must be assigned to the Secretary. Further, HUD shall reimburse the Servicer for all of the costs (which must be reasonable and customary) of seeking the judgment that are in excess of foreclosure costs. In those jurisdictions that require the initiation of a judicial foreclosure action in order to obtain a deficiency judgment, a mortgagee shall receive full reimbursement for the costs of the foreclosure action, where, but for the requested deficiency judgment, judicial foreclosure would not have been necessary.

The amount of insurance benefits generally paid by FHA is equal to 100% of the outstanding unpaid principal balance of FHA Loan, adjusted to (i) reimburse the Servicer for certain costs and expenses such as a portion (generally, two-thirds) of foreclosure costs or costs of acquiring the property, as applicable, which percentage shall be determined in accordance with such conditions as the HUD shall prescribe and for certain other costs such as approved advances, collection costs, court costs and attorney's fees as may be approved by HUD and (ii) deduct certain amounts received or retained by the Servicer. In addition, the Servicer is compensated for accrued and unpaid mortgage interest for a limited period of time prior to the institution of foreclosure or other acquisition in general only to the extent it was allowed pursuant to a forbearance plan approved by HUD.

HUD also pays an allowance for expenditures made by the mortgagee after an FHA Loan default and pays for unpaid mortgage interest (other than the first sixty days), not at the mortgage note rate, but at the related debenture rate, which may be either (i) the debenture rate published by HUD in effect at origination, with respect to FHA Loans originated on or prior to January 23, 2004 or (ii) with respect to FHA Loans originated after January 23, 2004, the debenture rate as announced from time to time by HUD equivalent to the monthly average yield, for the month in which the default on the FHA Loan occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years (the "FHA Debenture Rate"). The FHA Debenture Rate that applies to a particular Mortgage Loan generally is lower than the Mortgage Rate on such FHA Loan. The yields can be found in Federal Reserve Statistical Release H-15.

Where the Servicer 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 set by HUD, the debenture interest allowance for payment shall be curtailed to the date on which the particular required action should have been taken or to which it was extended.

HUD has the option, in most cases, to pay insurance claims in cash, in debentures or in a combination of both. Presently, claims for most programs are being paid in cash and for the most part, claims have not been paid in debentures since 1965. If a debenture is received in satisfaction of a claim, the debenture may be liquidated immediately and the proceeds of that liquidation will be passed through to the holders of the Certificates. If the debentures are sold for less than par and the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, losses to holders of the Class A Certificates could occur.

VA Loans

The United States Department of Veterans Affairs ("VA") is an Executive Branch Department of the United States, headed by the Secretary of Veterans Affairs. The VA currently administers a variety of federal assistance programs on behalf of eligible veterans and their dependents and beneficiaries, including the VA loan guaranty program. Under the VA loan guaranty program, a VA loan may be made to any eligible veteran by an approved private sector mortgage lender. With respect to any VA loan guaranteed after March 1, 1988, a borrower generally may sell the related property subject to the existing VA loan only with the prior approval of VA. In general, the new borrower must be creditworthy and must agree to assume the loan obligation. With respect to a VA loan guaranteed before March 1, 1988, however, the mortgagor generally has an unrestricted right to sell the related mortgaged property subject to the existing VA loan. The existing mortgagor is released from liability on the mortgage note only if the new homeowner qualifies as an acceptable credit risk and agrees to assume the loan obligation. If the existing mortgagor is not released from liability, there can be no assurance that the mortgage note can be enforced against such mortgagor, and to the extent the new homeowner does not execute an agreement to assume the mortgage debt, the Mortgage Note cannot be enforced against the new homeowner. The VA Loan, however, would remain secured by the related mortgaged property and the VA guaranty would remain in effect.

The VA Loans are partially guaranteed by VA under the Servicemen's Readjustment Act of 1944, as amended. The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, the spouse of a veteran) to obtain a mortgage loan guaranty by VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by VA. Although the VA program imposes county limits that must be used to calculate VA's maximum guaranty amount for a particular county (the "VA County Limit") the program does not limit the dollar amount that an eligible veteran may borrow using a VA Loan. Generally, the VA program does not require a down payment from a borrower unless the purchase price exceeds the reasonable value of the property or is necessary to meet secondary market requirements and the program permits the guaranty of mortgage loans of up to 30 years' duration. While VA Loans do not have a maximum dollar amount, limitations on loan amounts are primarily attributable to market limitations and the reasonable value of the property as indicated on the VA notice of reasonable value. VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of that loan, up to a maximum dollar amount (the "VA Guaranty Amount"), in the event of default by the veteran borrower. The Servicer will act on behalf of the Co-Trustee as the contract of insurance holder for the benefit of the Issuer and, as such, will submit all claims to the VA.

With respect to a defaulted VA Loan, the Servicer is, absent exceptional circumstances, authorized to announce its intention to foreclose only when the default has continued for three months. However, notwithstanding the foregoing, the regulations permit the Servicer to announce its intention to foreclose prior to the three month limitation in any case where any material prejudice to the rights of the mortgagee or VA or hazard to the mortgaged property warrants prompt action.

When a default is reported to VA and no realistic alternative to foreclosure is developed by the Servicer or through VA's supplemental servicing of the mortgage loan, VA determines, through an economic analysis, whether VA will refund the VA Loan by requiring the mortgagee to convey the property securing the VA Loan to the VA. The decision as to disposition of properties securing defaulted VA Loans is made on a case-by-case basis using the procedures set forth in applicable statutes, regulations and guidelines. The VA will determine the net value of the mortgaged property related to the defaulted VA Loan based on an appraisal (less costs for acquisition, management and resale costs). The net value of the mortgaged property is then compared to the total indebtedness of the defaulted VA Loan and the VA Guaranty Amount of such defaulted VA Loan. If the total indebtedness of the defaulted VA Loan less the net value of the defaulted VA Loan is less than the VA Guaranty Amount, the VA will accept conveyance of the defaulted VA Loan and will pay total indebtedness of the defaulted VA Loan to the Servicer. If, however, total indebtedness of the defaulted VA Loan less the net value of the defaulted VA Loan is greater than or equal to the VA Guaranty Amount, the VA will not accept conveyance of the defaulted loan and will pay the VA Guaranty Amount (such situation, a "no bid") to the Servicer. In a no bid scenario, the Servicer can attempt to sell the related mortgaged property at foreclosure. If foreclosure is initiated, the Servicer must complete such foreclosure within the timeframe and in the manner as determined by the VA and the mortgagee shall be entitled to file a claim for the amount payable under the guaranty related to the defaulted VA Loan in the event of any loss due to foreclosure. Alternatively, in a no bid situation, the Servicer may decide to waive or forgive a portion of the unpaid principal balance of the defaulted VA Loan to an amount which would require the VA to accept conveyance of the defaulted VA Loan and pay the unpaid principal balance of the defaulted VA Loan to the Servicer.

The amount payable under the guaranty will be the percentage (the "VA Entitlement Percentage") of the VA Loan originally guaranteed applied to the indebtedness outstanding as of the applicable date of computation specified in the VA regulations, subject to any applicable caps. As of the date hereof, the maximum guaranties that may be issued by VA under a VA Loan are generally (a) as to mortgage loans with an original principal balance of $45,000 or less, 50% of the unpaid principal balance of such mortgage loan, (b) as to mortgage loans with an original principal balance of $45,001 or greater, but not more than $56,250, $22,500, (c) as to mortgage loans with an original principal balance of $56,251 or greater, but not more than $144,000, 40% of the unpaid principal balance of such mortgage loan, with a maximum of $36,000, (d) as to mortgage loans with an original unpaid principal balance of $144,001 or greater, but not more than $417,000, 25% of the unpaid principal balance of such mortgage loan, and (e) as to mortgage loans with an original unpaid principal balance of more than $417,000, the lesser of: 25% of the VA County Limit, or 25% of the of the unpaid principal balance of such mortgage loan. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the unpaid principal balance of indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Because some of the VA Loans were originated as many as approximately 27 years ago, the maximum guaranties applicable to the Mortgage Loans in the mortgage pool may differ from those derived from the guidelines set forth above.

Mortgage 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 Cut-off Date Aggregate Balance) may be added or removed from the Trust prior to the Closing Date.

The Mortgage Loans will consist of approximately 7,346 Mortgage Loans with a Cut-off Date Aggregate Balance of approximately $690,610,448. The Cut-off Date Balances of the Mortgage Loans range from approximately $998.50 to approximately $372,917.41. The Mortgage Loans have an average Cut-off Date Balance of approximately $94,011.77.

The gross coupons on the Mortgage Loans range from 2.00% to 8.50% and the weighted average gross coupon on the Mortgage Loans is approximately 5.15%.

The loan ages (from origination) of the Mortgage Loans range from 82 months to 328 months and the weighted average loan age of the Mortgage Loans is approximately 132 months.

The remaining terms of the Mortgage Loans range from 1 month to 467 months and the weighted average remaining term of the Mortgage Loans is approximately 328 months.

The modification ages of the Mortgage Loans range from 1 month to 115 months and the weighted average modification loan age of the Mortgage Loans is approximately 17 months.

Approximately 0.41% and 0.30% of the Mortgage Loans (by Cut-off Date Aggregate Balance) are balloon loans and step up rate mortgage loans, respectively.

The delinquency method for the Mortgage Loans used in the following tables is the "MBA Method". Under the MBA Method, a mortgage loan is considered "30 days delinquent" if the borrower fails to make a scheduled payment prior to the close of business on the day prior to the mortgage loan's first succeeding due date. For example, if a securitization had a closing date occurring in August and a cut-off date of August 1, a mortgage loan with a payment due on July 1 that remained unpaid as of the close of business on July 31 would be described as 30 days delinquent as of the cut-off date in the prospectus supplement. A mortgage loan would be considered "60 days delinquent" with respect to such scheduled payment if such scheduled payment were not made prior to the close of business on the day prior to the mortgage loan's second succeeding due date (or, in the preceding example, if the mortgage loan with a payment due on July 1 remained unpaid as of the close of business on August 31).

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

Underlying Transactions

Underlying Transaction	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
FNW 2003-W12	874	$86,279,376	12.49%	5.13%	129	328	89.82%	21.46%	36.99%
FNGT 2004-T1	693	67,485,309	9.77	5.13	125	329	92.80	19.00	36.61
FNW 2003-W6	704	64,562,519	9.35	5.13	138	327	92.55	22.46	31.85
FNW 2003-W19	499	49,754,643	7.20	5.18	126	329	92.40	17.57	41.10
FNW 2003-W8	520	47,041,442	6.81	5.13	137	325	88.34	18.33	35.59
FNW 2003-W17	465	44,263,701	6.41	5.14	127	333	94.99	18.83	38.29
FNW 2004-W1	423	41,444,499	6.00	5.17	124	332	91.60	19.27	37.16
FNW 2003-W2	347	30,868,033	4.47	5.16	141	323	90.26	21.87	34.40
FNW 2004-W11	247	26,582,704	3.85	5.05	114	336	89.18	23.57	35.93
FNW 2003-W15	245	23,821,490	3.45	5.10	127	328	91.04	20.15	36.13
FNGT 2001-T10	253	18,867,973	2.73	5.31	163	315	90.11	19.95	28.09
FNW 2003-W18	198	18,789,821	2.72	5.07	129	333	94.28	22.41	34.13
FNW 2003-W14	155	17,169,951	2.49	5.12	117	334	92.81	21.72	44.01
FNW 2004-W9	171	16,761,505	2.43	5.08	122	339	92.68	19.87	31.45
FNGT 2002-T1	209	15,808,452	2.29	5.28	163	308	84.56	22.83	29.67
FNGT 2004-T2	154	14,478,005	2.10	5.04	125	341	95.25	18.65	40.06
FNW 2002-W4	167	13,775,824	1.99	5.26	155	324	92.73	16.34	32.40
FNW 2004-W12	126	12,244,964	1.77	5.12	111	329	91.47	17.60	37.28
FNGT 2004-T3	112	11,603,808	1.68	5.06	111	337	93.93	16.45	35.67
FNW 2005-W1	88	10,664,425	1.54	5.03	94	340	94.39	13.89	49.60
FNGT 2001-T12	134	10,474,804	1.52	5.36	160	315	91.41	20.51	34.30
FNW 2002-W7	114	10,308,515	1.49	5.14	150	330	88.79	14.32	30.47
FNW 2002-W9	91	8,037,715	1.16	5.25	153	309	82.43	21.53	21.92
FNW 2003-W3	83	7,693,508	1.11	5.23	135	326	92.69	13.86	34.93
FNGT 2001-T8	97	7,677,260	1.11	5.40	165	304	93.34	16.89	39.21
FNGT 2002-T4	92	6,974,664	1.01	5.28	161	315	85.53	15.51	37.61
FNW 2002-W3	71	5,703,441	0.83	5.10	157	315	83.52	17.18	24.60
FNW 2002-W10	14	1,472,099	0.21	4.83	111	289	36.17	22.75	40.32
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Loan Type

Loan Type	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
FHA	6,719	$629,863,946	91.20%	5.18%	131	333	100.00%	20.07%	36.86%
VA	626	60,646,261	8.78	4.79	139	272	0.00	16.78	25.82
RHS	1	100,242	0.01	4.75	161	199	0.00	0.00	0.00
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Scheduled Current Balance

Scheduled Current Balance ($)	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
1 - 50,000	871	$34,614,031	5.01%	5.30%	164	305	92.76%	19.89%	28.57%
50,001 - 100,000	3,653	272,617,188	39.47	5.17	141	324	91.91	20.83	30.84
100,001 - 150,000	2,133	258,618,597	37.45	5.14	125	330	91.29	19.82	37.74
150,001 - 200,000	568	95,953,753	13.89	5.06	116	338	88.99	18.88	44.11
200,001 - 250,000	89	19,377,015	2.81	5.08	116	336	86.62	17.01	46.20
250,001 - 300,000	21	5,663,874	0.82	5.12	106	340	90.92	4.65	57.75
300,001 - 350,000	7	2,306,074	0.33	5.10	103	351	100.00	0.00	41.15
350,001 - 400,000	4	1,459,917	0.21	5.16	111	347	100.00	0.00	49.07
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Gross Coupon

Gross Coupon (%)	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
2.000	20	$1,981,928	0.29%	2.00%	136	298	0.00%	24.28%	3.91%
3.001 - 3.250	2	120,266	0.02	3.20	155	206	0.00	0.00	37.21
3.251 - 3.500	1	65,042	0.01	3.50	118	242	0.00	0.00	0.00
3.501 - 3.750	1	103,913	0.02	3.75	127	353	100.00	0.00	0.00
3.751 - 4.000	102	10,182,011	1.47	4.00	139	300	1.38	15.02	20.24
4.001 - 4.250	117	10,998,080	1.59	4.25	134	352	98.79	18.78	25.26
4.251 - 4.500	513	50,130,860	7.26	4.46	130	334	73.91	19.15	25.89
4.501 - 4.750	670	65,707,393	9.51	4.72	129	349	95.70	17.17	24.68
4.751 - 5.000	2,170	207,137,079	29.99	4.93	132	336	91.88	21.58	34.07
5.001 - 5.250	1,257	119,671,521	17.33	5.20	130	341	96.43	19.08	41.21
5.251 - 5.500	1,265	118,631,514	17.18	5.44	130	331	96.19	20.29	44.75
5.501 - 5.750	622	56,736,537	8.22	5.63	132	296	99.75	20.33	43.12
5.751 - 6.000	113	9,714,802	1.41	5.98	138	242	60.62	12.00	39.93
6.001 - 6.250	110	9,731,988	1.41	6.21	127	264	93.24	12.16	33.89
6.251 - 6.500	185	15,051,251	2.18	6.46	140	253	87.32	17.23	34.00
6.501 - 6.750	57	4,010,874	0.58	6.73	156	248	97.92	17.43	30.62
6.751 - 7.000	86	6,493,134	0.94	6.96	144	256	97.96	27.35	27.30
7.001 - 7.250	14	1,111,525	0.16	7.17	139	264	94.69	35.09	24.47
7.251 - 7.500	23	1,785,638	0.26	7.47	147	264	95.90	23.54	24.05
7.501 - 7.750	6	557,083	0.08	7.73	132	272	100.00	26.86	0.00
7.751 - 8.000	9	501,607	0.07	8.00	159	231	100.00	26.04	14.23
8.251 - 8.500	3	186,404	0.03	8.50	155	234	100.00	0.00	68.70
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Loan Age from Origination

Loan Age from Origination (months)	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
82 - 84	41	$4,988,525	0.72%	5.00%	83	345	92.51%	17.00%	45.77%
85 - 90	119	14,911,723	2.16	5.10	88	338	92.76	20.19	46.72
91 - 96	209	24,317,133	3.52	5.05	94	337	91.13	15.32	42.35
97 - 102	198	23,380,056	3.39	5.12	99	334	90.89	15.62	40.58
103 - 108	487	55,627,258	8.05	5.11	106	339	93.64	18.69	46.53
109 - 114	768	83,463,103	12.09	5.15	111	335	94.21	20.00	42.61
115 - 120	1,001	108,599,624	15.73	5.11	117	334	91.58	19.16	36.49
121 - 126	844	87,565,365	12.68	5.14	123	332	92.92	19.51	33.67
127 - 132	309	29,643,949	4.29	5.20	129	330	94.28	23.18	36.73
133 - 138	258	23,033,822	3.34	5.29	135	329	95.72	20.23	36.07
139 - 144	301	26,467,538	3.83	5.26	142	327	91.75	15.39	33.18
145 - 150	504	42,768,222	6.19	5.17	147	323	90.57	22.86	29.14
151 - 156	534	43,892,655	6.36	5.09	153	317	83.09	22.19	27.18
157 - 162	417	32,297,237	4.68	5.15	159	320	87.14	20.95	31.47
163 - 168	248	19,213,855	2.78	5.12	165	316	87.09	19.87	30.87
169 - 174	146	10,754,846	1.56	5.22	171	318	89.72	16.16	31.77
175 - 180	126	9,347,352	1.35	5.29	177	309	93.81	26.22	30.47
181 - 186	172	11,373,056	1.65	5.27	183	309	88.57	28.85	28.83
187 - 192	141	9,178,767	1.33	5.18	189	313	91.71	21.99	26.64
193 - 198	47	2,967,586	0.43	5.19	194	317	95.63	20.72	20.19
199 - 204	29	2,005,183	0.29	5.22	202	324	92.73	14.05	44.08
205 or greater	447	24,813,595	3.59	5.17	220	287	82.59	17.29	25.24
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Modification Age

Modification Age (months)	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
1 - 3	579	$55,391,311	8.02%	4.80%	130	353	93.39%	16.62%	3.91%
4 - 6	624	60,361,300	8.74	4.75	131	348	91.05	21.54	20.36
7 - 9	934	91,817,732	13.30	4.62	130	345	88.55	21.14	31.92
10 - 12	1,097	109,186,324	15.81	4.91	130	345	91.94	18.76	44.45
13 - 15	1,126	110,149,412	15.95	5.27	130	342	92.18	18.89	45.31
16 - 18	866	78,308,827	11.34	5.34	131	339	95.70	21.62	39.68
19 - 21	705	64,371,683	9.32	5.40	133	314	92.82	22.09	43.51
22 - 24	424	38,473,557	5.57	5.51	133	283	88.98	17.95	43.24
25 - 30	435	37,670,866	5.45	5.18	135	262	90.31	21.63	41.04
31 - 36	67	5,976,970	0.87	6.25	143	232	41.86	11.75	54.13
37 - 42	45	3,844,999	0.56	6.26	130	264	72.08	16.36	48.67
43 - 48	33	3,166,776	0.46	6.50	128	291	100.00	35.41	45.88
49 - 54	12	1,400,870	0.20	6.33	116	264	100.00	3.77	40.49
55 - 60	18	1,459,821	0.21	6.74	143	252	100.00	19.18	32.65
61 - 66	20	1,700,293	0.25	6.53	139	250	96.53	20.46	26.33
67 - 72	29	2,191,826	0.32	6.34	134	250	91.24	13.35	31.11
73 - 78	39	3,040,959	0.44	6.17	137	245	88.56	16.47	26.68
79 - 84	95	7,687,886	1.11	6.36	134	251	99.43	20.10	25.25
85 - 90	68	5,371,722	0.78	6.58	137	261	97.35	15.92	26.85
91 - 96	29	2,053,787	0.30	6.72	150	239	64.35	11.26	31.26
97 - 102	50	3,733,108	0.54	6.62	153	234	65.15	11.86	14.38
103 - 108	29	1,890,552	0.27	6.76	164	232	73.28	17.99	6.53
109 - 114	20	1,258,271	0.18	6.88	173	231	100.00	11.08	13.85
115 or greater	2	101,597	0.01	6.97	181	245	100.00	0.00	0.00
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Cut-Off Remaining Term

Cut-Off Remaining Term (months)	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
48 or less	9	$221,787	0.03%	5.47%	159	38	80.68%	9.94%	19.95%
49 - 60	1	26,722	0.00	5.00	121	59	100.00	0.00	0.00
61 - 108	19	680,786	0.10	5.61	197	86	75.45	11.02	32.20
109 - 114	3	167,622	0.02	5.50	155	111	27.12	0.00	46.00
115 - 120	2	105,697	0.02	4.97	149	115	100.00	20.10	79.90
121 - 168	108	6,172,204	0.89	5.51	198	149	63.69	17.37	32.45
169 - 174	19	1,117,286	0.16	5.12	185	172	52.20	40.58	6.94
175 - 180	29	2,046,817	0.30	5.80	173	177	50.66	14.97	44.92
181 - 228	418	31,834,036	4.61	5.49	155	209	57.56	19.91	33.39
229 - 234	51	4,351,328	0.63	5.23	136	232	53.69	20.89	33.90
235 - 240	86	8,479,302	1.23	5.49	129	237	60.03	19.97	32.78
241 - 288	662	59,919,062	8.68	5.75	131	263	80.10	17.74	32.80
289 - 294	40	3,681,469	0.53	5.57	130	291	82.46	3.39	44.11
295 - 300	25	2,757,595	0.40	5.41	131	297	83.90	19.26	53.37
301 - 342	1,273	121,322,827	17.57	5.30	129	335	91.03	20.57	41.47
343 - 348	1,974	191,853,794	27.78	5.25	129	346	96.77	19.15	45.32
349 - 354	1,669	162,649,321	23.55	4.78	130	351	96.38	21.40	36.14
355 - 360	952	92,637,858	13.41	4.77	129	357	98.54	19.25	11.33
361 or greater	6	584,936	0.08	3.10	121	421	34.97	15.19	34.97
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

State

State	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
TX	1,535	$142,481,072	20.63%	5.13%	125	333	94.31%	21.72%	34.22%
GA	757	83,312,798	12.06	5.08	129	333	92.13	18.18	38.99
IL	345	37,372,928	5.41	5.17	133	331	95.18	17.32	45.40
NC	364	36,155,509	5.24	5.10	133	324	85.08	16.68	38.55
FL	402	32,182,472	4.66	5.11	139	320	88.38	19.17	35.82
PA	397	28,251,166	4.09	5.21	136	323	92.53	18.64	35.29
OH	307	27,533,007	3.99	5.20	131	329	91.00	20.95	37.67
NY	260	26,270,448	3.80	5.22	136	324	93.48	17.58	30.97
NJ	201	23,009,543	3.33	5.29	131	320	92.71	15.49	45.37
TN	267	22,250,573	3.22	5.15	140	326	93.78	27.21	29.53
MD	193	20,558,754	2.98	5.07	133	325	89.88	24.31	33.58
IN	221	19,570,768	2.83	5.17	137	326	90.66	20.14	35.58
MI	156	14,035,610	2.03	5.15	132	327	93.83	23.80	30.08
CA	129	13,138,135	1.90	5.14	144	321	89.32	16.39	27.81
LA	158	12,894,132	1.87	5.16	129	327	93.26	12.40	38.47
VA	139	12,427,505	1.80	5.21	138	318	90.19	22.10	33.96
CO	80	11,458,100	1.66	5.20	119	332	86.70	12.30	47.09
AL	152	10,844,154	1.57	5.24	134	327	88.48	22.36	34.92
SC	119	10,697,187	1.55	5.10	132	330	91.17	21.78	32.19
WA	82	9,840,063	1.42	5.21	127	325	70.25	17.01	32.75
MO	128	8,935,557	1.29	5.19	142	322	93.98	23.36	34.08
AZ	93	8,574,085	1.24	5.02	134	325	90.54	18.61	26.84
MN	64	6,618,136	0.96	5.18	137	334	88.32	30.55	33.48
MA	47	5,899,287	0.85	5.10	131	333	90.50	11.27	43.36
OK	78	5,322,261	0.77	5.08	134	328	89.53	18.87	28.94
UT	47	5,131,623	0.74	5.05	138	326	85.54	11.94	27.25
MS	65	4,745,653	0.69	5.25	131	327	96.06	18.99	28.85
WI	51	4,741,207	0.69	5.17	131	317	75.14	23.35	37.24
NV	40	4,619,208	0.67	5.19	129	325	87.54	29.93	29.25
AR	64	4,363,066	0.63	5.13	135	329	89.69	15.24	24.18
CT	37	4,361,974	0.63	5.28	131	320	90.71	24.33	34.44
KY	52	4,019,656	0.58	5.21	137	314	91.15	25.13	43.18
NM	41	3,831,678	0.55	5.25	128	326	89.23	22.75	47.83
OR	28	3,357,753	0.49	5.23	123	318	84.51	16.66	38.77
IA	38	2,680,250	0.39	5.15	133	320	92.96	24.68	35.82
DE	25	2,528,948	0.37	5.02	131	344	95.26	21.19	31.63
ID	27	2,383,695	0.35	5.15	124	328	93.32	26.48	32.03
ME	22	2,242,153	0.32	5.22	127	326	79.61	30.01	33.64
KS	29	2,230,882	0.32	5.10	138	328	75.78	12.05	20.57
NE	27	1,994,964	0.29	5.20	138	304	86.99	41.69	18.73
RI	14	1,656,076	0.24	5.21	134	340	100.00	15.55	48.85
DC	9	958,440	0.14	5.13	128	344	100.00	0.00	67.60
NH	8	948,779	0.14	4.62	137	331	68.35	19.94	19.72
WV	15	913,131	0.13	5.29	143	299	85.25	10.54	21.58
AK	5	800,853	0.12	5.30	128	331	82.17	23.19	17.30
HI	5	700,452	0.10	5.46	140	320	100.00	0.00	35.01
ND	8	662,882	0.10	5.07	137	326	74.38	4.11	54.74
WY	4	393,445	0.06	4.99	134	300	39.64	0.00	0.00
MT	6	333,909	0.05	5.17	172	324	100.00	0.00	19.23
SD	3	228,028	0.03	5.20	136	330	78.68	21.32	37.98
VT	2	148,494	0.02	4.76	105	349	68.23	0.00	31.77
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Property Type

Property Type	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
Single Family Residence	7,044	$661,749,764	95.82%	5.15%	132	328	91.13%	19.66%	35.95%
Condo	110	10,169,238	1.47	5.15	127	333	96.29	20.89	33.54
Manufactured Housing	53	4,479,484	0.65	5.14	116	331	94.88	25.00	30.22
Town House	40	4,363,459	0.63	5.05	129	329	84.33	25.67	33.43
PUD	33	3,836,562	0.56	5.02	136	339	91.07	24.67	40.31
Prefabricated Housing	47	3,822,276	0.55	5.14	117	334	94.68	23.04	36.51
Multifamily	18	2,089,424	0.30	5.18	138	339	93.07	13.96	34.26
Farm	1	100,242	0.01	4.75	161	199	0.00	0.00	0.00
Total:	**7,346**	**$690,610,448**	100.00%	5.15%	132	328	91.20%	19.78%	35.88%

MBA Delinquency

MBA Delinquency	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
Current	3,373	$302,929,724	43.86%	5.09%	134	327	88.57%	0.00%	0.00%
30 -59 Days DQ	1,467	135,064,074	19.56	5.15	133	329	92.51	100.00	0.00
60 - 89 Days DQ	791	74,381,575	10.77	5.11	130	332	92.39	0.00	100.00
90+ Days DQ	1,004	104,565,351	15.14	5.22	126	329	95.57	0.00	100.00
Current (Bankruptcy)	37	3,288,626	0.48	5.37	134	313	91.74	0.00	0.00
30 -59 Days DQ (Bankruptcy)	16	1,529,761	0.22	5.28	136	326	95.79	100.00	0.00
60 - 89 Days DQ (Bankruptcy)	10	968,573	0.14	5.38	138	310	79.79	0.00	100.00
90+ Days DQ (Bankruptcy)	96	8,929,221	1.29	5.50	130	302	92.92	0.00	100.00
Foreclosure	552	58,953,543	8.54	5.26	126	324	92.30	0.00	100.00
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Bankruptcy

Bankruptcy	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
No	7,187	$675,894,267	97.87%	5.14%	132	328	91.18%	19.98%	35.20%
Yes	159	14,716,182	2.13	5.44	132	307	92.09	10.40	67.26
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Delinquency History

Delinquency History (12 months)	# of Loans	Current Balance	% by Current Balance	Weighted Average Gross Coupon	Weighted Average Contract Loan Age (months)	Weighted Average Rem Term (months)	% FHA	% 30 Days DQ	% 60+ Days DQ
Clean	1,112	$97,335,600	14.09%	5.48%	137	307	87.76%	0.00%	0.00%
1 x 30	233	20,876,320	3.02	5.42	133	320	91.75	36.11	0.00
2 x 30	152	13,185,823	1.91	5.39	134	321	92.37	40.58	0.00
3+ x 30	525	45,977,427	6.66	5.41	134	314	91.45	67.63	0.00
1 x 60	318	28,181,638	4.08	5.37	134	318	91.56	39.23	34.60
2 x 60	198	16,221,979	2.35	5.34	134	315	92.48	31.84	40.84
3+ x 60	315	28,330,480	4.10	5.36	132	318	92.97	29.37	56.33
1 x 90	472	42,829,552	6.20	5.12	135	333	92.40	25.05	36.09
2 x 90	521	47,734,071	6.91	4.96	130	335	87.73	22.36	38.14
3+ x 90	3,500	349,937,559	50.67	4.98	129	337	92.15	13.34	51.95
Total:	**7,346**	**$690,610,448**	**100.00%**	**5.15%**	**132**	**328**	**91.20%**	**19.78%**	**35.88%**

Review Procedures

An affiliate of the Depositor engaged the Clayton Group ("Clayton") to conduct a review of certain aspects of the Mortgage Loans. Clayton reviewed approximately 4% of the 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 and fee/rate regulations. The Sample Mortgage Loans which are FHA insured mortgage loans were reviewed to ensure that they each had a mortgage insurance certificate evidencing FHA insurance.

With respect to each Sample Mortgage Loan which is a VA partially guaranteed mortgage loan, an affiliate of the Depositor ordered and Clayton reviewed a broker's price opinion (a "BPO"). BPOs are estimates of property values rendered by a real estate agent based on an external view of the mortgaged property and a review of comparable sales of similar mortgaged properties (which is generally subjective to the real estate agent conducting the BPO). BPOs do not take into account the internal condition of a mortgaged property or other factors inconsistent with an external view of the mortgaged property.

As a result of Clayton's findings, one of the Sample Mortgage Loans was removed from the Mortgage Pool due to a state predatory lending violation. 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 ORIGINATORS

Washington Mutual Bank (or an affiliate thereof) and Wells Fargo Bank, N.A. (or an affiliate thereof) originator approximately 48.75% and 47.51% of the Mortgage Loans, respectively, by Cut-off Date Aggregate Balance. No other entity originated more than 10% of the Mortgage Loans by Cut-off Date Aggregate Balance.

THE SERVICER

Wells Fargo Bank, N.A.

The Mortgage Loans will initially be serviced by Wells Fargo Bank, N.A.

General

Wells Fargo Bank, N.A. ("Wells Fargo Bank") is an indirect, wholly-owned subsidiary of Wells Fargo & Company. Wells Fargo Bank is a national banking association and is engaged in a wide range of activities typical of a national bank. Wells Fargo Bank, including its predecessors, has many years of experience in servicing residential mortgage loans, commercial mortgage loans, auto loans, home equity loans, credit card receivables and student loans. Wells Fargo Bank, including its predecessors, has been servicing residential mortgage loans since 1974. These servicing activities, which include collections, loss mitigation, default reporting, bankruptcy, foreclosure and REO Property management, are handled at various Wells Fargo Bank locations and other mortgage loan servicing centers. As of the date hereof, Wells Fargo Bank has not failed to make any required advance with respect to any issuance of residential mortgage backed securities. Wells Fargo Bank's servicing portfolio of residential FHA and VA mortgage loans is described in the table below:

	As of December 31, 2008		As of December 31, 2009		As of December 31, 2010	
	No. of Loans	**Aggregate Unpaid Principal Balance of Loans**	**No. of Loans**	**Aggregate Unpaid Principal Balance of Loans**	**No. of Loans**	**Aggregate Unpaid Principal Balance of Loans**
FHA Loans	1,220,428	$144,225,271,697	1,530,339	$205,079,986,908	1,832,850	$263,794,912,152
VA Loans	386,108	$ 50,197,281,313	414,193	$ 59,672,390,175	437,843	$ 67,517,396,681

Description of Servicing Processes

Shortly after the funding of a loan, various types of loan information are loaded into Wells Fargo Bank's automated loan servicing system. Wells Fargo Bank then makes reasonable efforts to collect all payments called for under the Mortgage Loan documents and will, consistent with the Servicing Agreement and FHA guidelines or VA guidelines, as applicable, follow such collection procedures as are customary with respect to loans that are comparable to the Mortgage Loans. Wells Fargo Bank may, in its discretion, (i) waive any assumption fee, late payment or other charge in connection with a Mortgage Loan and (ii) to the extent not inconsistent with the coverage of such Mortgage Loan by a FHA insurance or VA insurance, as applicable, waive, vary or modify any term of any Mortgage Loan or consent to the postponement of strict compliance with any such term or in any matter grant indulgence to any borrower, subject to the limitations set forth in the Servicing Agreement and any FHA guidelines or VA guidelines, as applicable.

Wells Fargo Bank's collections policy is designed to identify payment problems sufficiently early to permit Wells Fargo Bank to address such delinquency problems and, when necessary, to act to preserve equity in a pre-foreclosure Mortgaged Property. Borrowers are billed on a monthly basis in advance of the due date. If a borrower attempts to use Wells Fargo Bank's Voice Response Unit ("VRU") to obtain loan information on or after the 25th day of delinquency, the VRU automatically transfers the call to the collection area. Collection procedures commence upon identification of a past due account by Wells Fargo Bank's automated servicing system. If timely payment is not received, Wells Fargo Bank's automated loan servicing system automatically places the Mortgage Loan in the assigned collection queue and collection procedures are initiated based upon a risk score ranking; collection efforts may begin as early as the 4th day of delinquency with respect to the highest risk Mortgage Loans and as late as the 26th day of delinquency with respect to the lowest risk Mortgage Loans. The account remains in the queue unless and until a payment is received, at which point Wells Fargo Bank's automated loan servicing system automatically removes the Mortgage Loan from that collection queue.

When a Mortgage Loan appears in a collection queue, a collector will telephone to remind the borrower that a payment is due. Follow-up telephone contacts with the borrower are attempted until the account is current or other payment arrangements have been made. When contact is made with a delinquent borrower, collectors present such borrower with alternative payment methods, such as Western Union, Phone Pay and Quick Collect, in order to expedite payments. Standard form letters are utilized when attempts to reach the borrower by telephone fail and/or in some circumstances, to supplement the phone contacts. Company collectors have computer access to telephone numbers, payment histories, loan information and all past collection notes. Wells Fargo Bank supplements the collectors' efforts with advanced technology such as predictive dialers and statistical behavioral software used to determine the optimal times to call a particular customer. Additionally, collectors may attempt to mitigate losses through the use of behavioral or other models that are designed to assist in identifying workout options in the early stages of delinquency. For those loans in which collection efforts have been exhausted without success, Wells Fargo Bank determines whether foreclosure proceedings are appropriate. The course of action elected with respect to a delinquent Mortgage Loan generally will be guided by a number of factors, including the related borrower's payment history, ability and willingness to pay, the condition and occupancy of the Mortgaged Property, the amount of borrower equity in the Mortgaged Property and whether there are any junior liens.

Regulations and practices regarding the liquidation of properties (e.g., foreclosure) and the rights of a borrower in default vary greatly from state to state. As such, all foreclosures are assigned to outside counsel, licensed to practice in the same state as the mortgaged property. Bankruptcies filed by borrowers are similarly assigned to appropriate local counsel. Communication with foreclosure and bankruptcy attorneys is maintained through the use of a software program, thus reducing the need for phone calls and faxes and simultaneously creating a permanent record of communication. Attorney timeline performance is managed using quarterly report cards. The status of foreclosures and bankruptcies is monitored by Wells Fargo Bank through its use of such software system. Bankruptcy filing and release information is received electronically from a third-party notification vendor.

Prior to a foreclosure sale, Wells Fargo Bank performs a market value analysis with respect to FHA mortgage loans secured by mortgaged properties which have sustained damaged, and a market value analysis with respect to VA mortgage loans. This analysis includes: (i) a current valuation of the Mortgaged Property obtained through a drive-by appraisal or broker's price opinion conducted by an independent appraiser and/or a broker from a network of real estate brokers, complete with a description of the condition of the Mortgaged Property, as well as other information such as recent price lists of comparable properties, recent closed comparables, estimated marketing time and required or suggested repairs, and an estimate of the sales price; (ii) an evaluation of the amount owed, if any, for real estate taxes; and (iii) estimated carrying costs, brokers' fees, repair costs and other related costs associated with real estate owned properties. Wells Fargo Bank bases the amount it will bid at foreclosure sales on this analysis.

If Wells Fargo Bank acquires title to a property at a foreclosure sale or otherwise, it obtains an estimate of the sale price of the property and begins to market the property. If the mortgaged property is not vacant when acquired, local eviction attorneys are hired to commence eviction proceedings. Repairs are performed if it is determined that they will increase the net liquidation proceeds, taking into consideration the cost of repairs, the carrying costs during the repair period and the marketability of the property both before and after the repairs.

Wells Fargo Bank's loan servicing software also tracks and maintains tax and homeowners' insurance information and tax and insurance escrow information. Expiration reports are generated periodically listing all policies which are scheduled to expire. When policies lapse, a letter is automatically generated and issued advising the borrower of such lapse and notifying the borrower that Wells Fargo Bank will obtain lender-placed insurance at the borrower's expense.

FHA Loan Servicing Procedures

The FHA Loans will be serviced by the Servicer pursuant to the Servicing Agreement. The Servicer will be required to be diligent in pursuing claims for defaulted FHA Loans and in abiding by FHA collection and default timetables.

As described under "The Mortgage Pool—FHA Loans and "—VA Loans," under the FHA mortgage insurance program's loss mitigation procedures, the Servicer may be limited in its ability to assign a defaulted FHA Loan to HUD or initiate foreclosure proceedings immediately upon default because FHA requires lenders to apply, when appropriate in accordance with HUD regulations, a variety of loss mitigation options to avoid initiating foreclosure including, but not limited to, special forbearance, mortgage modification, pre-foreclosure sales and deeds-in-lieu of foreclosure to cure a default or provide relief to the mortgagor. For instance, the Servicer may enter into a modification agreement with the borrower that (i) extends the maturity date of the loan term of an FHA Loan up to the maximum term of thirty years permitted by HUD regulations, which in some cases shall extend the original maturity date of such FHA Loan and (ii) that reduces the applicable Mortgage Rate. Such an extension would extend the weighted average lives of the Certificates. Furthermore, under certain circumstances, loss mitigation strategies may be attempted after foreclosure has been initiated which may result in a canceled foreclosure action. For loan modifications, certain legal fees and foreclosure costs in connection with canceled foreclosures may be capitalized into a modified principal balance. FHA's loss mitigation procedures also permits lenders under certain circumstances, to submit partial claims for FHA insurance benefits. The Servicer may implement FHA-HAMP with respect to a defaulted FHA Loan consistent with such loss mitigation procedures and the Servicing Agreement.

Generally, an action to initiate foreclosure on any FHA insured mortgage loan must be filed with the local jurisdiction within six months after the date of default. Once the foreclosure process is complete, the Servicer may submit a claim to FHA. When a Servicer files an insurance claim with the FHA, the FHA reviews the claim, the complete loan file and documentation of the mortgagee's efforts to obtain recourse, certification of compliance with applicable state and local laws in carrying out any foreclosure, evidence that the lender has properly filed proofs of claims, where the borrower is bankrupt or deceased, and evidence of marketable title. If title to the mortgaged property is not good and marketable, the Servicer must cure the defect within 60 days or within such further time as approved by HUD. If the defect in title is not corrected within the allowable time period, the Servicer shall be obligated to reimburse HUD for its costs of holding the mortgaged property, accruing on a daily basis, and interest on the amount of insurance benefits paid to the Servicer at an interest rate set by HUD in conformity with the

Treasury Fiscal Requirements Manual. If the title defect is not cured within a reasonable time, as determined by HUD, HUD will reconvey the mortgaged property to the lender. The FHA may contest any insurance claim or make a demand for a refund of payments made under a claim at any time up to two years from the date the claim was certified for payment and may do so thereafter in the event of fraud or misrepresentation on the part of the lender. Although Section 203(e) of the National Housing Act provides that if a mortgage insurance certificate is issued, the validity of the contract of insurance relating to the Mortgage Loans will be incontestable in the absence of fraud or misrepresentation by the Servicer or Co-Trustee, there is no legal authority that has specifically interpreted how Section 203(e) of the National Housing Act would apply to transactions that are similar to the transactions contemplated by the issuance of the Certificates. Therefore, investors must come to their own conclusions as to how Section 203(e) of the National Housing Act will impact FHA's ability to successfully contest any insurance claim with respect to a FHA Loan in the Trust Estate.

The Secretary of HUD may deny a claim for insurance in whole or in part for any violations of the regulations governing the FHA program; however, the Secretary of HUD may waive such violations if it determines that enforcement of the regulations would impose an injustice upon a lender which has substantially complied with the regulations in good faith.

VA Loan Servicing Procedures

The VA Loans will be serviced by the Servicer, pursuant to the Servicing Agreement, in a manner consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. The Servicer is required to be diligent in abiding by VA collection and default timetables. Consistent with these servicing standards, the Servicer may, if all of the conditions set forth in the VA regulations with respect to loan modifications are met, at its discretion, modify the terms of a VA Loan, such as waive late payment charges or assumption fees and arrange with a mortgagor, a schedule for repayment of due and unpaid principal and interest. If the mortgagor does not qualify for such traditional modification programs in connection with any VA Loan default, then the Servicer will implement the Servicer's modification program with respect to defaulted VA Loans to the extent consistent with VA guidelines and the Servicing Agreement.

A notice to VA of intent to begin foreclosure need not be given within any prescribed period of time. This flexibility affords the Servicer time to work with an individual mortgagor to avoid liquidation. If the mortgaged property is in jeopardy, however, the notice should be filed as soon as the risk becomes known to the Servicer. Except upon express waiver by VA, the Servicer may not begin foreclosure until VA has been notified 30 days in advance of this intent to liquidate and the Servicer must make a good faith effort to notify the original mortgagor or any other liable borrowers, of such intention by certified mail within 30 days after notice is provided to the VA. Failure of the Servicer to make a good faith effort to notify the original mortgagor may result in the loss of the VA guaranty with respect to such mortgaged property. The Servicer must request a liquidation appraisal at least 30 days prior to the projected foreclosure sale in addition to furnishing VA with a VA "status of loan account" form to estimate the projected claim amount that is necessary to prepare the bid. In the event that a borrower's income has decreased such that the borrower cannot maintain payments at the current amount or make up any delinquent payments, the Servicer may modify the payment terms of the related Mortgage Loan only if it determines that such modification will allow the borrower to keep the Mortgage Loan current. The Servicer may include accrued and unpaid interest in the Mortgage Loan indebtedness that is extended or re-amortized.

The Servicer must deliver to VA the lender's "Transfer of Conveyance" within 15 days of the foreclosure sale.

THE MASTER SERVICER

Aurora was incorporated in Delaware on May 15, 1997 and was converted to a limited liability company on January 1, 2005. Aurora is a wholly owned subsidiary of Aurora Bank FSB. Aurora's executive offices are located at 10350 Park Meadows Drive, Littleton, Colorado 80124.

Aurora Bank FSB, Lehman Brothers Bancorp ("Bancorp"), Lehman Brothers Holdings Inc. ("LBHI") and the Office of Thrift Supervision entered into that certain Capital Maintenance Agreement, dated November 30, 2010 (as amended from the time to time, the "CMA"). Aurora Bank FSB is a wholly-owned subsidiary of Bancorp, and Bancorp is a wholly-owned subsidiary of LBHI. LBHI is a debtor in possession in a case under chapter 11 of title 11 of the U.S. Code pending in the United States Bankruptcy Court for the Southern District of New York. Pursuant to the terms of the CMA, Aurora Bank FSB, Bancorp and LBHI agree to market Aurora Bank FSB and Aurora for sale, whether by stock purchase, merger or a sale of all or substantially all assets, to an unaffiliated third party for completion by May 31, 2012 (the "Sale Deadline"). If (i) the Sale Deadline is not extended by the parties to the CMA and, among other requirements, a definitive sale agreement has not been entered by such date or (ii) if at any time from and after March 1, 2012 the Office of Thrift Supervision (now the Office of the Comptroller of the Currency) determines that the sale is not likely to be consummated by the Sale Deadline, it is likely that LBHI will be required to purchase all of the assets of Aurora Bank FSB, including Aurora, and Aurora Bank FSB will be liquidated. Fannie Mae has the right, consistent with the terms of the Servicing Agreement, to consent to any sale transaction under the CMA, and to terminate the Master Servicer if a definitive sale agreement has not been entered into by the Sale Deadline.

Aurora's centralized real estate master servicing facility is located at 10350 Park Meadows Drive, Littleton, Colorado 80124. Aurora has been engaged in the business of master servicing residential mortgage loans since 1998. Aurora has been master servicing mortgage loans that were originated under the guidelines of the Federal Housing Administration, the Department of Veterans' Affairs or the Rural Housing and Community Development Service ("Government Insured or Guaranteed") since 1999.

The following tables set forth certain information regarding Aurora's total securitization master servicing portfolio.

	At December 31, 2008		At December 31, 2009	
Type of Loan	Number of Loans	Principal Balance (in millions)	Number of Loans	Principal Balance (in millions)
Alt-A	379,760	$125,465,573,228.34	315,613	$103,593,263,363.10
Subprime	321,338	$ 48,598,057,489.31	248,366	$ 37,162,378,930.54
Government Insured or Guaranteed	110,310	$ 8,168,366,456.84	100,389	$ 7 ,297,169,492.15
Home Equity Lines of Credit	1,508	$ 53,438,703.48	1,236	$ 36,524,076.47
Total Portfolio	812,916	$182,285,435,877.97	665,604	$148,089,335,862.26

	At December 31, 2010		At June 30, 2011	
Type of Loan	Number of Loans	Principal Balance (in millions)	Number of Loans	Principal Balance (in millions)
Alt-A	266,308	$ 82,825,845,140.03	45,684	$ 78,188,283,207.45
Subprime	210,762	$ 31,469,033,461.20	96,410	$ 29,280,960,571.85
Government Insured or Guaranteed	92,618	$ 6,630,989,728.02	9,521	$ 6,351,473,799.41
Home Equity Lines of Credit	66	$ 26,612,508.51	805	$ 22,983,592.68
Total Portfolio	70,554	$123,952,480,837.76	532,420	$113,843,701,171.39

The Master Servicer will monitor the servicing of the Mortgage Loans by the Servicer to the extent provided in the Servicing Agreement. The Master Servicer will not be responsible for the servicing or administration of the Mortgage Loans and will not be responsible for the supervision of loss mitigation functions, including collection efforts with respect to defaulted Mortgage Loans, workouts, discounted payoffs, foreclosure, and disposition of mortgaged properties.

The Master Servicer's master servicing monitoring procedures include verifying the Servicer's remittances of principal and interest payments on Mortgage Loans. To the extent that the Servicer makes a remittance of principal or interest that is different than the amount expected on a Monthly Servicer Remittance Date, the Master Servicer investigates the discrepancy and seeks to reconcile and clear any loan level discrepancies with the Servicer.

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 $321 billion as June 30, 2011, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. As of June 30, 2011, U.S. Bancorp served approximately 17 million customers and operated over 3,000 branch offices in 25 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 49 domestic and 3 international 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 June 30, 2011, U.S. Bank was acting as trustee with respect to over 69,800 issuances of securities with an aggregate outstanding principal balance of over $2.7 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

As of June 30, 2011, U.S. Bank (and its affiliate U.S. Bank Trust National Association) was acting as trustee, registrar and paying agent, and securities administrator on 1,081 issuances of residential mortgage-backed securities with an outstanding aggregate principal balance of approximately $258,628,300.00.

In addition, 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. The performance of all succeeded duties under each client agreement will transition to U.S. Bank National Association during the period between January 1, 2011 and the conversion date, currently scheduled to occur on September 6, 2011. As of June 30, 2011, approximately 705 active residential mortgage backed securitizations with an aggregate outstanding principal balance of approximately $122,569,214,486 are in process of or have transitioned to U.S. Bank National Association. Following the quarter ending September 30, 2011, U.S. Bank National Association will report the securitization transactions for which U.S. Bank National Association is acting as trustee or agent, as applicable, on a combined basis.

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.

The Depositor, the Guarantor, the Master Servicer 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 Master Servicer each Monthly Servicing Report containing the payment activity file 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 Master Servicer, U.S. Bank will do so based on information received from the Master Servicer. U.S. Bank will identify all discrepancies and bring them to the attention of the Master 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 Master 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, the Master Servicer, the Custodian and the Guarantor on each Distribution Date; (iv) to prepare and make available to Certificateholders and the Guarantor the Distribution Date Statements 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 final 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 and (vii) to communicate with Certificateholders and the Guarantor with respect to the Certificates. 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 Master 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 ("U.S. Bank Trust"), 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 $321 billion as of June 30, 2011, is the parent company of U.S. Bank. As of June 30, 2011, U.S. Bancorp served approximately 17 million customers and operated over 3,000 branch offices in 25 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 June 30, 2011 , U.S. Bank Trust was acting as owner trustee with respect to over 500 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 June 30, 2011, U.S. Bank Trust was acting as owner trustee on 45 issuances of residential mortgage-backed securities.

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 THE 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 which related to calendar years 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 2010 Form 10-K.

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 Class A 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 Class A Certificates may have certain limited rights to bring proceedings against Treasury if Fannie Mae fails to pay under the Fannie Mae Guaranty.

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 ISSUER

Government Loan Securitization Trust 2011-FV1 (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 July 27, 2011, among the Depositor, 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 and the Custodial Agreement, 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 CUSTODIAN

U.S. Bank National Association will serve as the custodian (the "Custodian") pursuant to a custodial agreement (the "Custodial Agreement"), dated as of the Closing Date, among the Issuer, the Co-Trustee, the Servicer, the Master Servicer and the Custodian.

For a description of U.S. Bank National Association, see *"The Co-Trustee"* above.

For a summary of the role of the Custodian under the Custodial Agreement, see *"The Mortgage Loan Purchase Agreement—Assignment of Mortgage Loans to the Trust"* in this Information Memorandum.

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.

Representations and Warranties Related to the 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 the 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 purchase such Defective Mortgage Loan from the Issuer at a price equal to the Purchase Price within ninety (90) days.

The "Purchase Price" is an amount equal to the sum of, without duplication, (i) the Stated Principal Balance of such Mortgage Loan as of the purchase date, (ii) interest accrued on such Stated Principal Balance at the related mortgage rate up to but not including the last day of the month that such purchase occurs, less amounts received in respect of such purchased 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 purchase 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 during the applicable cure period, 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 or a VA partial guaranty claim, as applicable, with respect to such Mortgage Loan. The Seller will be obligated to purchase such a Defective Mortgage Loan from the Issuer within ninety (90) days after receiving notice of such denial by FHA or the VA, as applicable, so long as the insurance or partial guaranty, as applicable, relating to such Defective Mortgage Loan has not been reinstated prior to such repurchase.

Pursuant to the Mortgage Loan Purchase Agreement and the Trust 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 purchase 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 purchasing such a Mortgage Loan, a cure may be effected by the Seller by 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 purchase a Mortgage Loan if such breach is not cured.

Assignment of Mortgage Loans to the Trust

The Mortgage Loans, to the extent of their Cut-off Date Balance will be sold to the Issuer, together with all amounts received on the Mortgage Loans in respect of such Cut-off Date Balance 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 Cut-off Date Balance and the rate at which interest is expected to accrue on the such Mortgage Loan.

The Custodian will act as custodian with respect to the Mortgage Loans pursuant to the Custodial Agreement. 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, the Custodian will be entitled to receive the Custodian Fee for compensation for its services as Custodian under the Custodial Agreement.

As to each Mortgage Loan, the following documents are expected to be delivered to the Custodian on behalf of the Co-Trustee: (1) the related original mortgage note or, in the absence of such mortgage note, a lost note affidavit or a lost note instrument bond, (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) and (9) an original or copy of any powers of attorney (if applicable). However, the Custodian will only be required to certify the existence of the related original mortgage note (or a lost note affidavit or a lost note instrument bond). 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 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 (or Notional Balance, as applicable) 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 (or Notional Balance, as applicable) 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 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 or the Trust Agreement in the Information Memorandum, or to correct or supplement any provision herein which may be inconsistent with any other provisions therein, (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 Guarantor 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 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 Notional Balance, as applicable) 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 Notional Balance, as applicable) 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 Notional Balance, as applicable) of each class of Certificates affected thereby.

In addition, pursuant to the Trust Agreement, the holders of the Class A-1, Class A-IO and Class A-2 Certificates agree that, upon the Guarantor paying any Guaranteed Amount under the Fannie Mae Guaranty with respect to the Class A-1, Class A-IO and Class A-2 Certificates and until such time as the Guarantor has been paid in full for all Guaranteed Amounts, the Guarantor will be treated by the Co-Trustee, the Delaware Trustee and the Issuer as if the Guarantor held a 100% interest in the Certificates of such class for the purpose of the giving of any consent under the Trust Agreement, the making of any direction under the Trust Agreement or the exercise of any voting or other control rights otherwise given to such Certificateholders under the Trust 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 (or Notional Balance, as applicable) of Class A 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

Wells Fargo will act as servicer of the Mortgage Loans and Aurora will act as master servicer of the Mortgage Loans, in each case pursuant to the Servicing Agreement.

Compensation of the Servicer and the Master Servicer

The Servicer will be entitled to receive the Servicing Fee for each Mortgage Loan and the Master Servicer will be entitled to receive the Master Servicing Fee for each Mortgage Loan.

The Servicer will be entitled to be reimbursed for Advances and Servicing Advances as described below.

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 and the VA. Such actions may include negotiating agreements with borrowers and initiating legal action, including (with the prior consent of HUD or VA) foreclosure proceedings.

All collections on the Mortgage Loans by the Servicer will be deposited by the Servicer into the Custodial Account within two Business Days of receipt. All amounts remitted by the Servicer to the Master Servicer will be deposited by the Master Servicer into the Collection Account within two Business Days of receipt. See "Description of the Certificates—The Custodial Account, the Collection Account and the Certificate Account" in this Information Memorandum.

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 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 other than Advances (including reasonable attorney's fees and disbursements) incurred in the performance by the Servicer of its servicing obligations, including, but not limited to, the cost of (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 and (d) ground rents, 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 will constitute "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.

Advances

The portion of each Scheduled Payment that is delinquent with respect to each Mortgage Loan at the close of business on the business day immediately prior to each Servicer Monthly Remittance Date (such date, the "Determination Date") will be advanced (such amount, an "Advance") by the Servicer on such business day and deposited in the Custodial Account.

On each Determination Date, the Servicer will deposit in the Custodial Account from its own funds or from amounts held for future distribution an amount equal to all Scheduled Payments (with interest adjusted to the related mortgage rate less the applicable Servicing Fee Rate) which were due on the Mortgage Loans during the applicable Collection Period and which were delinquent at the close of business on such Determination Date. The Servicer's obligation to make such Advances as to (A) any VA Loan will continue until such VA Loan is conveyed to the VA pursuant to the VA handbook and (B) any FHA Loan will continue until such FHA Loan is conveyed to HUD pursuant to the HUD handbook. The Servicer shall not have an obligation to advance amounts in respect to shortfalls relating to the Servicemembers Civil Relief Act or similar state and local laws.

The Servicer will be entitled to reimburse itself for Advances previously made by it from amounts received on the related Mortgage Loan which represent late payments of principal and/or interest respecting which any such Advance was made. In addition, if the Guarantor directly receives FHA/VA/RHS Proceeds on a Mortgage Loan from the FHA, VA or RHS, the Guarantor will reimburse the Servicer for any outstanding Advances, Servicing Advances and/or Pre-Existing Advances relating to such Mortgage Loan. If, however, the Servicer directly receives the Loan Proceeds (including the FHA/VA/RHS Proceeds) on a Mortgage Loan, the Servicer may reimburse itself for any outstanding Advances, Servicing Advances and/or Pre-Existing Advances from such Loan Proceeds on deposit in the Custodial Account in accordance with the Servicing Agreement.

The Master Servicer will have no obligation to make a required Advance that the Servicer fails to make. However, if the Master Servicer elects to make such an Advance, the Master Servicer will remit such Advance to the Co-Trustee on the Master Servicer Monthly Remittance Date and will be entitled to be reimbursed for such Advance to the same extent as described herein as if the Servicer made such Advance.

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 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*.

FHA/VA/RHS Proceeds and Liquidation Proceeds

Upon the Guarantor remitting a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be remitted directly to the Guarantor by the FHA, VA, RHS or the Servicer, and to the extent such FHA/VA/RHS Proceeds and/or Liquidation Proceeds relate to the Guaranteed Amount so remitted, all such FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, will not be included in the Interest Remittance Amount and/or Principal Remittance Amount, provided that if the Guarantor fails to remit a required Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be included in the Interest Remittance Amount and/or Principal Remittance Amount. Further, if after the Guarantor remits a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan and the Guarantor receives all of the FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, relating to such Mortgage Loan, the Guarantor will reimburse the Servicer for Advances, Servicing Advances and/or Pre-Existing Advances relating to such Mortgage Loan to the extent the Servicer has not reimbursed itself for such Advances, Servicing Advances and/or Pre-Existing Advances from amounts on deposit in the Custodial Account in accordance with the Servicing Agreement.

Events of Default

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

(i) any failure by the Servicer to remit to the Master Servicer any payment required to be made under the terms of the Servicing Agreement which continues unremedied for a period of five (5) days after the date upon which written notice of such failure, requiring the same to be remedied, will have been given to the Servicer by the Master Servicer;

(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 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, will have been given to the Servicer by the Master Servicer or by the Guarantor;

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

(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, will have been entered against the Servicer and such degree or order will have remained in force undischarged or unstayed for a period of sixty (60) days;

(v) the Servicer shall consent 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 property;

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

(vii) the Servicer ceases to meet the qualifications of an FHA or VA servicer; or

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

As provided in the Servicing Agreement, the Master Servicer may be removed as the master servicer of the Mortgage Loans by the Guarantor if the following event occurs (the "Master Servicer Event of Default"): the Master Servicer fails to carry out its obligations under the Servicing Agreement or the Master Servicer is in breach of the terms of the Fannie Mae Servicing Guide, which continues unremedied (in the sole discretion of Fannie Mae) for a period of thirty (30) days (or with respect to failing to remit the Interest Remittance Amount (net of the Master Servicing Fee) and Principal Remittance Amount to the Co-Trustee on the related Master Servicer Monthly Remittance Date, a period of one day) after the date upon which written notice of such failure or breach, requiring the same to be remedied, will have been given to the Master Servicer by the Guarantor.

As provided in the Servicing Agreement, the Guarantor may also remove the Master Servicer as the master servicer of the Mortgage Loans if Aurora Bank FSB and Aurora have not been subject to a transaction pursuant to which the equity or all or substantially all of the assets of Aurora Bank FSB and, in the case of all or substantially all of the assets of the Aurora Bank FSB, Aurora, are sold before May 31, 2012 (or such other later date, if any, as agreed upon by the parties to the CMA).

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

In each and every such case, so long as a Servicer Event of Default has not been remedied, in addition to whatever rights the Master Servicer (at the direction of the Guarantor) may have at law or equity to damages, including injunctive relief and specific performance, the Master Servicer (at the direction of the Guarantor), by notice in writing to the Servicer, may terminate all the rights and obligations of the Servicer under the Servicing Agreement and in and to the Mortgage Loans and the proceeds thereof.

Upon receipt by the Servicer of such written notice, all authority and power of the Servicer under the Servicing Agreement, whether with respect to the Mortgage Loans or otherwise, will pass to and be vested in the successor servicer appointed by the Master Servicer (at the direction of the Guarantor) pursuant to the Servicing Agreement. Upon written request of the Master Servicer, the Servicer will prepare, execute and deliver to the successor servicer designated by the Master Servicer (at the direction of the Guarantor) any and all documents and other instruments, place in such successor servicer's possession all mortgage files, and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including but not limited to the transfer and endorsement or documents, at the Servicer's sole expense. The Servicer will cooperate with the Master Servicer and such successor servicer in effecting the termination of the Servicer's responsibilities and rights thereunder, including without limitation, the transfer to such successor for administration by it of all cash amounts which will at the time be credited by the Servicer to the Custodial Account or any escrow account or thereafter received with respect to the Mortgage Loans. The removal of the Servicer as described above will not become effective until a successor servicer is appointed by the Master Servicer (at the direction of the Guarantor).

By a written notice, the Master Servicer (at the direction of the Guarantor) may waive any default by the Servicer in the performance of its obligations under the Servicing Agreement and its consequences. Upon any waiver of a past default, such default will cease to exist, and any Servicer Event of Default arising therefrom will be deemed to have been remedied for every purpose of the Servicing Agreement. No such waiver will extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

Rights Upon a Master Servicer Event of Default

In each and every such case, so long as a Master Servicer Event of Default has not been remedied in accordance with the Fannie Mae Servicing Guide, the Guarantor may terminate all the rights and obligations of the Master Servicer under the Servicing Agreement and appoint a successor master servicer in accordance with the Fannie Mae Servicing Guide.

Amendment of the Servicing Agreement; Transfer of Servicing

The Servicing Agreement may be amended by the parties thereto.

The Servicer shall neither assign the Servicing Agreement or the servicing rights under the Servicing Agreement or sell or otherwise dispose of all of its property or assets without the prior written consent of the Master Servicer, which consent shall not be unreasonably withheld by the Master Servicer. Any successor Servicer will meet the requirements for such in the Servicing Agreement and be acceptable to the Guarantor.

The Servicer shall not resign from the obligations and duties imposed on it under the Servicing Agreement except by mutual consent of the Servicer and the Master Servicer (at the direction of the Guarantor) or upon the determination that its duties under the Servicing Agreement are no longer permissible under applicable law and such incapacity cannot be cured by the Servicer. Any such determination permitting the resignation of the Servicer will be evidenced by an opinion of counsel to such effect delivered to the Master Servicer and the Guarantor which opinion of counsel will be in form and substance acceptable to the Guarantor. No such resignation shall become effective until a successor shall have assumed the Servicer’s responsibilities and obligations under the Servicing Agreement in the manner provided in the Servicing Agreement.

Insurance Coverage

The Servicer is required to maintain with responsible companies, at its own expense, a blanket fidelity bond and an errors and omissions insurance policy, with broad coverage on all officers, employees or other persons acting in any capacity requiring such persons to handle funds, money, documents or papers relating to the Mortgage Loans (“Company Employees”). Any such fidelity bond and an errors and omissions insurance policy will be in the form of the Mortgage Banker's Blanket Bond and shall protect and insure the Servicer against losses, including forgery, theft, embezzlement, fraud, errors and omissions and negligent acts of the Company Employees. Such fidelity bond and an errors and omissions insurance policy also shall protect and insure the Servicer against losses in connection with the release or satisfaction of a Mortgage Loan without having obtained payment in full of the indebtedness secured thereby.

Evidence as to Compliance

The Servicing Agreement will provide that each year, the Servicer will provide the attestation and compliance certificates required by the Fannie Mae Servicing Guide.

The Servicing Agreement will provide that each year, the Servicer will deliver to the Master Servicer, the Guarantor and the Depositor a statement of compliance addressed to the Master Servicer and the Depositor and signed by an authorized officer of the Servicer, to the effect that (a) a review of the Servicer’s activities during the immediately preceding calendar year (or applicable portion thereof) and of its performance under the Servicing Agreement during such period has been made under such officer’s supervision, and (b) to the best of such officers’ knowledge, based on such review, the Servicer has fulfilled all of its obligations under the Servicing Agreement in all material respects throughout such calendar year (or applicable portion thereof) or, if there has been a failure to fulfill any such obligation in any material respect, specifically identifying each such failure known to such officer and the nature and the status thereof.

Reports

Not later than the tenth calendar day of each month, the Servicer shall furnish to the Master Servicer a report (the "Servicer Monthly Remittance Report") in an electronic format, providing loan level accounting data for the period ending on the last business day of the preceding month, including a statement with respect to any REO Property covering the operation of such REO Property for the previous month and the Servicer's efforts in connection with the sale of such REO Property and any rental of such REO Property incidental to the sale thereof for the previous month, and any such other information as the Master Servicer reasonably requests. The Master Servicer will promptly deliver each Servicer Monthly Remittance Report to the Co-Trustee.

Not later than the eighteenth calendar day of each month, the Master Servicer will deliver to the Co-Trustee and the Guarantor, (i) a servicing report (the "Monthly Servicing Report") and (ii) a liquidation report (the "Monthly Pool Liquidation Report") setting forth listing for the related Collection Period and each Mortgage Loan or REO Property (a) purchased by the Seller from the Issuer, (b) conveyed to HUD and (c) otherwise removed from the Issuer, whether through an REO disposition or otherwise (excluding payoffs), together with a detailed remittance adjustment reflecting reimbursement to the Servicer of any outstanding Monthly Advances and Servicing Advances and showing the Stated Principal Balance of such Mortgage Loan or REO Property at the time of disposition.

DESCRIPTION OF THE CERTIFICATES

General

On the Closing Date, the Issuer will issue the Certificates pursuant to a Trust Agreement (the "Trust Agreement"), dated as of August 1, 2011, by and among the Delaware Trustee, the Guarantor, 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 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 R Certificates will 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 Class A Certificates have not and will not be registered under the Securities Act. The Class A Certificates can only be transferred pursuant to the Securities Act or an exemption therefrom. Any such transfer must comply with the requirements of the Trust Agreement.

The Class R 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 its own account or one or more accounts with respect to which it exercises sole investment discretion, each of which is a Qualified Institutional Buyer, in transactions exempt from the registration requirements of the Securities Act. The Class R 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 Class R 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.

Book-Entry Registration of the Certificates

The Class A Certificates acquired in book-entry format (the "Book-Entry Certificates") will be represented initially by one or more global certificates (the "Global Certificates") 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 Notional Balance, as applicable) 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 Operator 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 Certificates 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, Fannie Mae 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 Class A 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 Class A-1 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. With respect to any Accrual Period and the Class A-IO Certificates, the aggregate amount of interest accrued during the related Accrual Period at the related Certificate Interest Rate on Notional Balance thereof as of the first day of such Accrual Period. With respect to any Accrual Period and the Class A-2 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.

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

"Available Interest Rate Cap": With respect to each Distribution Date, the product, expressed as an annualized percentage rate, of (x) a fraction, the numerator of which is the excess of (1) the Interest Remittance Amount for such Distribution Date over (2) the sum of the Custodial Fees and Extraordinary Trust Expenses (subject to the Extraordinary Trust Expense Cap) payable by the Trust on such Distribution Date and the Co-Trustee Fee, the Master Servicing Fee and the Guaranty Fee, in each case on such Distribution Date, and the denominator of which is the aggregate Stated Principal Balance of the Mortgage Loans as of the beginning of the related Collection Period and (y) 12.

"Certificate Interest Rate": With respect to the Class A-1 Certificates and each Distribution Date, a fixed rate equal to 2.50% per annum. With respect to the Class A-IO Certificates and each Distribution Date, the excess, if any, of the Available Interest Rate Cap for such Distribution Date over the Certificate Interest Rate of the Class A-1 Certificates for such Distribution Date. With respect to the Class A-2 Certificates and each Distribution Date, the Class A-2 Available Interest Rate Cap for such Distribution Date.

"Certificate Principal Balance": With respect to the Class A-1 Certificates and Class A-2 Certificates and any date of determination, the original Certificate Principal Balance of 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-1 Certificates and Class A-2 Certificates will be issued with an original Certificate Principal Balance of approximately $621,549,000 and $69,061,448, respectively.

"Class A-2 Available Interest Rate Cap": With respect to each Distribution Date, the product, expressed as an annualized percentage rate, of (x) a fraction, the numerator of which is the excess of (1) the Interest Remittance Amount for such Distribution Date over (2) the sum of (i) the sum of the Custodial Fees and Extraordinary Trust Expenses (subject to the Extraordinary Trust Expense Cap) payable by the Trust on such Distribution Date and the Co-Trustee Fee, the Master Servicing Fee and the Guaranty Fee, in each case on such Distribution Date, and (ii) the Accrued Certificate Interest due for each of the Class A-1 Certificates and Class A-IO Certificates, in each case on such Distribution Date, and the denominator of which is the Certificate Principal Balance of the Class A-2 Certificates immediately prior to such Distribution Date and (y) 12.

"Collection Period": With respect to any Distribution Date, the period commencing on the second day of the month preceding the month of such Distribution Date and ending on (and including) the first day of the month of such Distribution Date.

"Compensating Interest": With respect to any Distribution Date and each Principal Prepayment during the related Prepayment Period, an amount (to be paid by the Servicer out of its own funds) which, when added to all amounts allocable to interest received in connection with such Principal Prepayment, equals one month's interest on the amount of principal so prepaid at the applicable mortgage rate thereon.

"Condemnation Proceeds": All awards or settlements in respect of a mortgaged property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation, to the extent not required to be released to a mortgagor in accordance with the terms of the related Mortgage Loan Documents.

"Co-Trustee Fee": With respect to each Distribution Date, 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 as of the beginning of the related Collection Period.

"Co-Trustee Fee Rate": 0.0065% per annum.

"Custodial Fees": With respect to each Distribution Date, the fees of the Custodian under the Custodial Agreement paid during the related Collection Period.

"Distribution Date": The 25th day of each month or, if such day is not a business day, the next business day thereafter, commencing in September 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.

"Extraordinary Trust Expense Cap": With respect to any calendar year, $250,000; provided, however, the Extraordinary Trust Expense Cap will increase to $500,000 for a calendar year, 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 Co-Trustee, the Master Servicer and/or the Custodian are entitled to receive pursuant to the terms of the transaction documents.

"FHA/VA/RHS Proceeds": With respect to any Mortgage Loan that is a FHA Loan, any proceeds received from the FHA on account of the related FHA Policy. With respect to any Mortgage Loan that is a VA Loan, any proceeds received on account of the VA from the related VA Guaranty. With respect to the RHS Loan, any proceeds received on account of the Rural Housing Service from the related RHS guaranty.

"Final Scheduled Distribution Date": The Distribution Date occurring in August 2051.

"Guaranty Fee": With respect to each Distribution Date , an amount equal to the product of (i) one-twelfth of the Guaranty Fee Rate and (ii) the aggregate Certificate Principal Balance of the Class A-1 Certificates and Class A-2 Certificates immediately prior to such Distribution Date; provided that if a Guarantor Event of Default pursuant to clause (a) of the definition thereof has occurred 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.

“Insurance Proceeds”: With respect to each Mortgage Loan, proceeds of insurance policies, insuring the Mortgage Loan or the related mortgaged property (including, without limitation, FHA/VA/RHS Proceeds).

“Interest Distribution Amount”: With respect to any Distribution Date, an amount equal to the sum of (a) the Interest Remittance Amount for such Distribution Date less the Master Servicing Fee and (b) the portion of any Guaranteed Amount for such Distribution Date representing clause (1) of the definition of “Guaranteed Amount” only.

“Interest Remittance Amount”: With respect to any Distribution Date, an amount equal to the sum of (a) all interest collected or advanced or otherwise remitted in respect of Scheduled Payments on the Mortgage Loans due during the related Collection Period, (b) any Compensating Interest payments paid by the Servicer with respect to such Distribution Date, (c) all Loan Proceeds (other than FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, remitted directly to the Guarantor by the FHA, VA, RHS or the Servicer) and any other unscheduled recoveries collected and remittances made during the related Prepayment Period, to the extent allocable to interest and (d) any amounts received in respect of the Purchase Price for any Mortgage Loans purchased by Fannie Mae from the Issuer during the related Prepayment Period, to the extent allocable to interest, less the sum of (x) the Servicing Fee for each Mortgage Loan for such Distribution Date and (y) to the extent not reimbursed to the Servicer by the Guarantor, any reimbursements allocable to interest owed to the Servicer in respect of Advances, Servicing Advances and/or Pre-Existing Advances (which in each case will be from the related Loan Proceeds) in each case during the related Collection Period.

“Liquidated Mortgage Loan”: With respect to any Distribution Date, any defaulted Mortgage Loan in respect of which the Servicer has determined, in accordance with the servicing procedures specified in the Servicing Agreement, as of the end of the related Collection Period that substantially all Loan Proceeds which it reasonably expects to recover, if any, with respect to the disposition of the related REO Property have been recovered (exclusive of any possibility of a deficiency judgment), including all payments under the FHA Policies or VA Guarantees with respect to claims for interest, principal and fees for such Mortgage Loan.

“Liquidation Proceeds”: Cash received in connection with the liquidation of a defaulted Mortgage Loan, whether through the sale or assignment of such Mortgage Loan, trustee's sale, foreclosure sale or otherwise, or the sale of the related mortgaged property if the mortgaged property is acquired in satisfaction of the Mortgage Loan.

“Loan Proceeds”: With respect to any Mortgage Loan, the sum of (i) any related Liquidation Proceeds and (ii) any related Insurance Proceeds and Condemnation Proceeds, in each case to the extent not applied to the restoration or repair of the related mortgaged property or release to the related mortgagor in accordance with the Servicing Agreement).

“Master Servicer Monthly Remittance Date”: The twenty-third (23^{rd}) day of each calendar month, commencing in September 2011, or if the 23^{rd} day is not a business day, the first business day immediately prior.

“Master Servicing Fee”: An amount equal to the product of (i) one-twelfth of the Master Servicing Fee Rate and (ii) the aggregate Certificate Principal Balance of the Class A Certificates immediately prior to such Distribution Date.

“Master Servicing Fee Rate”: 0.0225% per annum.

“Notional Balance”: With respect to the Class A-IO Certificates and any date of determination, an amount equal to the Certificate Principal Balance of the Class A-1 Certificates as of such date of determination.

“Pre-Existing Advance”: Any Advances or Servicing Advances that were made by the Servicer prior to the Cut-off Date.

“Prepayment Period”: With respect to each Servicer Monthly Remittance Date, the calendar month preceding the month of such Servicer Monthly Remittance Date.

"Principal Distribution Amount": With respect to any Distribution Date, an amount equal to the sum of (a) the Principal Remittance Amount for such Distribution Date and (b) any Guaranteed Amount for such Distribution Date (excluding amounts representing clause (1) of the definition of "Guaranteed Amount").

"Principal Prepayment": Any payment or other recovery of principal on a Mortgage Loan which is received in advance of its scheduled due date, including any prepayment penalty or premium thereon and which is not accompanied by an amount of interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment.

"Principal Remittance Amount": With respect to any Distribution Date, an amount equal to the sum of (a) all principal collected or advanced or otherwise remitted in respect of Scheduled Payments on the Mortgage Loans due during the related Collection Period, (b) all prepayments in full or in part received during the applicable Prepayment Period, (c) all Loan Proceeds (other than FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, remitted directly to the Guarantor by the FHA, VA, RHS or the Servicer) and any other unscheduled recoveries collected and remittances made during the related Prepayment Period, to the extent allocable to principal and (d) any amounts received in respect of the Purchase Price for any Mortgage Loans purchased by Fannie Mae from the Issuer during the related Prepayment Period, to the extent allocable to principal, less to the extent not reimbursed to the Servicer by the Guarantor, any reimbursements allocable to principal owed to the Servicer in respect of Advances, Servicing Advances and/or Pre-Existing Advances (which in each case will be from the related Loan Proceeds) in each case during the related Collection Period.

"Qualified Depository": Either (i) 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) 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 Fannie Mae.

"Realized Loss": With respect to any Distribution Date and any Mortgage Loan that became a Liquidated Mortgage Loan during the related Collection Period, the unrecovered portion of the principal balance of such Mortgage Loan and any unpaid accrued interest thereon at the end of such Collection Period, after giving effect to the Loan Proceeds applied in reduction of such principal balance.

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

"REO Property": A mortgaged property acquired by the Servicer on behalf of the Issuer through foreclosure or deed-in-lieu of foreclosure or other similar conversion of ownership of a Mortgage Loan, as described in the Servicing Agreement.

"Scheduled Payment": With respect to each Mortgage Loan, the monthly scheduled payment of principal and interest specified in the note evidencing such Mortgage Loan.

"Servicer Monthly Remittance Date": The eighteenth (18th) day of each calendar month, commencing in September 2011, or if the 18th day is not a business day, the first business day immediately prior.

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

"Servicing Fee": With respect to each Mortgage Loan, an amount equal to the product of (i) one-twelfth of the applicable Servicing Fee Rate and (ii) the Stated Principal Balance of such Mortgage Loan as of the beginning of the related Collection Period.

"Servicing Fee Rate": 0.44% per annum or 0.50% per annum, as indicated for each Mortgage Loan on the mortgage loan schedule.

“Stated Principal Balance”: With respect to any Mortgage Loan as of any date of determination, the principal balance of such Mortgage Loan at the close of business on the Cut-off Date less (a) all amounts previously paid with respect to such Mortgage Loan representing payments or recoveries of principal or the principal portion of Advances made prior to the related Collection Period and (b) any principal reduction resulting from a modification pursuant to the Servicing Agreement or bankruptcy judgment prior to such date of determination. Notwithstanding the foregoing, if the Guarantor remits a Guaranteed Amount as described in clause (2) (A) or (B) of the definition of “Guaranteed Amount” with respect to a 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.

Priority of Distributions

Interest Distribution Amount

On each Distribution Date, the Co-Trustee will make distributions from the Interest Distribution Amount for such Distribution Date in the following order of priority:

(i) *pro rata*, based on amounts due, to the Custodian and the Co-Trustee, the Custodial Fee and the Co-Trustee Fee, respectively, for such Distribution Date, and to such parties, the Master Servicer and the Delaware Trustee, any Extraordinary Trust Expenses (up to the Extraordinary Trust Expense Cap) for such Distribution Date, plus any such fees and Extraordinary Trust Expenses (up to the Extraordinary Trust Expense Cap) unpaid from prior Distribution Dates;

(ii) to the Guarantor, its Guaranty Fee for such Distribution Date and any unpaid Guaranty Fees from prior Distribution Dates;

(iii) to the holders of the Class A-1 Certificates and Class A-IO Certificates, *pro rata*, based on the amounts due, the Accrued Certificate Interest for such Certificates for such Distribution Date, plus, in the case of the Class A-1 Certificates only, to the extent the Guarantor fails to remit a required Guaranteed Amount as described in clause (1) of the definition thereof in respect of the Class A-1 Certificates, any accrued but unpaid Accrued Certificate Interest for the Class A-1 Certificates from prior Distribution Dates;

(iv) to the holders of the Class A-2 Certificates, the Accrued Certificate Interest for such Certificates for such Distribution Date;

(v) to the Guarantor, in reimbursement for any Guaranteed Amounts paid by the Guarantor, to the extent not previously reimbursed;

(vi) to the Delaware Trustee, the Custodian, the Co-Trustee and the Master Servicer, 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; and

(vii) all remaining amounts to the holders of the Class R Certificates, as set forth in the Trust Agreement.

Principal Distribution Amount

On each Distribution Date, the Co-Trustee will distributions from the Principal Distribution Amount for such Distribution Date in the following order of priority:

(i) to the Guarantor, its Guaranty Fee for such Distribution Date and any unpaid Guaranty Fees from prior Distribution Dates, in each case to the extent not paid pursuant to clause (ii) under “Priority of Distributions—Interest Distribution Amount” above;

(ii) to the holders of the Class A-1 Certificates, in reduction of the Certificate Principal Balance thereof, until the Certificate Principal Balance thereof have been reduced to zero;

(iii) to the holders of the Class A-2 Certificates, in reduction of the Certificate Principal Balance thereof, until the Certificate Principal Balance thereof have been reduced to zero;

(iv) to the Guarantor, in reimbursement for any Guaranteed Amounts paid by the Guarantor, to the extent not previously reimbursed, to the extent not paid pursuant to clause (v) under "Priority of Distributions—Interest Distribution Amount" above; and

(v) all remaining amounts to the holders of the Class R 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) the excess, if any, of the sum of Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date over the Interest Remittance Amount available on such Distribution Date to pay the Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date, (2) (A) following each Claim Date which occurs during the related Collection Period, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of such Claim Date and (B) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Claim Date and during the related Collection Period, the Short Sale Difference Amount for such Mortgage Loan and (3) on the Final Scheduled Distribution Date, the excess, if any, of the aggregate Certificate Principal Balance of the Class A-1 Certificates and Class A-2 Certificates immediately prior to the Final Scheduled Distribution Date over the Principal Remittance Amount available to make payments described in clauses (ii) and (iii) under "Description of the Certificates—Priority of Distributions—Principal Distribution Amount" on the Final Scheduled Distribution Date. If Fannie Mae were unable to pay under the Fannie Mae Guaranty, the Class A Certificates could be subject to losses and additional shortfalls.

Upon the Guarantor remitting a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be remitted directly to the Guarantor by the FHA, VA, RHS or the Servicer, and to the extent such FHA/VA/RHS Proceeds and or Liquidation Proceeds relate to the Guaranteed Amount so remitted, all such FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, will not be included in the Interest Remittance Amount and/or Principal Remittance Amount, provided that if the Guarantor fails to remit a required Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan in respect of clauses (2)(A) or (2)(B) of the definition of "Guaranteed Amount", all FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, in respect of such Mortgage Loan will be included in the Interest Remittance Amount and/or Principal Remittance Amount. Further, if after the Guarantor remits a Guaranteed Amount to the Co-Trustee with respect to a Mortgage Loan and the Guarantor receives all of the FHA/VA/RHS Proceeds and/or Liquidation Proceeds, as applicable, relating to such Mortgage Loan, the Guarantor will reimburse the Servicer for Advances, Servicing Advances and/or Pre-Existing Advances relating to such Mortgage Loan to the extent the Servicer has not reimbursed itself for such Advances, Servicing Advances and/or Pre-Existing Advances from amounts on deposit in the Custodial Account in accordance with the Servicing Agreement.

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 aggregate Certificate Principal Balance (or Notional Balance, as applicable) of the Class A 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 aggregate Certificate Principal Balance (or Notional Balance, as applicable) of the Class A 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 following the issuance of the Certificates 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 following the issuance of the Certificates; 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 make payments under the Fannie Mae Guaranty, 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 or voting rights until such default is cured, and Certificateholders representing at least 51% of the outstanding aggregate Certificate Principal Balance (or Notional Balance, as applicable) of the Class A Certificates 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 on the Mortgage Loans will be allocated sequentially, to the holders of the Class A-2 Certificates and Class A-1 Certificates, in that order, in reduction of the Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero. Any such reduction in the Certificate Principal Balance of the Class A-1 Certificates will result in a corresponding reduction of the Notional Balance of the Class A-IO Certificates.

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 Co-Trustee will promptly notify the Servicer and the Master Servicer if a Guarantor Event of Default has occurred.

The Custodial Account, the Collection Account and the Certificate Account

All collections with respect to the Mortgage Loans received by the Servicer will be deposited into the Custodial Account within two business days of receipt thereof as provided in the Servicing Agreement. The Servicer will also be entitled to reimburse itself with respect to Advances, Servicing Advances and/or Pre-Existing Advances from related Loan Proceeds on deposit in the Custodial Account, to the extent such amounts are available and not previously reimbursed to the Servicer by the Guarantor, in accordance with the Servicing Agreement.

All amounts remitted to the Master Servicer by the Servicer on the related Servicer Monthly Remittance Date will be deposited into the Collection Account within two business days of receipt thereof as provided in the Servicing Agreement.

The Co-Trustee will deposit into the Certificate Account, promptly upon receipt, and retain on deposit until the related Distribution Date, all amounts remitted from the Master Servicer on the related Master Servicer Monthly Remittance Date and any Guaranteed Amount for the related Distribution Date.

The Custodial Account and the Collection Account will each be maintained with a Qualified Depository and all amounts therein will either remain uninvested or will be invested in eligible investments as described in the Servicing Agreement. The Certificate Account will be an Eligible Account and all amounts therein will either remain uninvested or will be invested in eligible investments as described in the Trust Agreement up to the day prior to the related Distribution Date. All amounts earned from amounts on deposit in the Custodial Account will be for the benefit of the Servicer. All amounts earned from amounts on deposit in the Collection Account will be for the benefit of the Master Servicer. All amounts earned from amounts on deposit in the Certificate Account will be for the benefit of Fannie Mae. The Servicer, Master Servicer and Fannie Mae shall deposit in the Custodial Account, Collection Account and Certificate Account, respectively, the amount of any losses incurred in respect of their respective investments out of its own respective funds, without right of reimbursement therefor, immediately as realized.

Auction Call

If the aggregate Stated Principal Balance of the Mortgage Loans declines below 1% of the Cut-off Date Aggregate Balance, the Co-Trustee will conduct an auction to sell the Mortgage Loans and the other related assets of the Issuer. The Co-Trustee shall solicit good faith bids for the Mortgage Loans and the other related assets of the Issuer (other than the Fannie Mae Guaranty) from at least three institutions that are regular purchasers and/or sellers in the secondary market of FHA/VA mortgage loans; 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 Class A-1 Certificates and Class A-2 Certificates, plus one month's Accrued Certificate Interest on each of the Class A Certificates at the related Certificate Interest Rate, plus any related outstanding advances, fees or expenses due to the Co-Trustee, Delaware Trustee, Custodian, Servicer, Master Servicer or Guarantor, plus the fair market value, as determined by the Guarantor in its sole discretion, of any Mortgage Loans 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 fewer 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 is reduced to zero.

If an auction is successfully completed and the highest bid is in excess of the Par Value, the Class R Certificates will be entitled to receive the amount of that excess.

Fannie Mae will not be permitted to bid in any auction described above.

Reports to Certificateholders

The Co-Trustee will (based upon, and only to the extent it receives, the related Servicer Monthly Remittance Report, Monthly Servicing Report and Monthly Pool Liquidation Report) prepare and make available no later than the 20th day of each month to the Guarantor and on each Distribution Date, to the Delaware Trustee, the Depositor and each Certificateholder, a written report (the "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 the Class A-1 Certificates and Class A-2 Certificates in respect of principal;

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

(iv) the Available Interest Rate Cap with respect to such Distribution Date;

(v) the Certificate Principal Balance or Notional Balance, as applicable, and class factor of each class of Certificates prior to and after giving effect to distributions on such Distribution Date;

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

(vii) the amount of any Compensating Interest payment made by the Servicer for such Distribution Date;

(viii) the number and aggregate Stated Principal Balance of Mortgage Loans as of the first day, and as of the last day, of the related Collection Period, and the weighted average net mortgage rate on the Mortgage Loans;

(ix) the number and aggregate Stated Principal Balance of Mortgage Loans as of the first day, and as of the last day, of the related Collection Period, that are (a) 30-59 days delinquent; (b) 60-89 days delinquent; (c) 90 days or more days delinquent; and (d) in foreclosure, in each case using the MBA Method;

(x) the number of REO Properties as of the first day, and as of the last day, of the related Collection Period;

(xi) for the related Collection Period, in the aggregate: (a) the Advances made; (b) the Servicing Advances made; (c) prepayments in full and in part; (d) interest received or advanced on the Mortgage Loans; (e) scheduled principal received or advanced on the Mortgage Loans;

(xii) the Co-Trustee Fee, Servicing Fee and Master Servicing Fee for such Distribution Date, and, if applicable the Custodial Fee for such Distribution Date;

(xiii) the amount of any Guaranteed Amounts to be paid by the Guarantor with respect to the Class A-1, Class A-IO and Class A-2 Certificates for such Distribution Date, the aggregate Guaranteed Amounts paid by the Guarantor with respect to the Class A-1, Class A-IO and Class A-2 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 the Class A-1, Class A-IO and Class A-2 Certificates for all prior Distribution Dates and the aggregate amount of all such prior reimbursements made on all prior Distribution Dates;

(xiv) the Interest Remittance Amount, Interest Distribution Amount, Principal Remittance Amount and Principal Distribution Amount for such Distribution Date;

(xv) the Loan Proceeds (specifically identifying FHA/VA/RHS Proceeds, Insurance Proceeds, Liquidation Proceeds and Condemnation proceeds) for the related Collection Period;

(xvi) the number and aggregate Stated Principal Balance of Mortgage Loans as of the end of the related Collection Period that are (1) in foreclosure, (2) REO Properties, (3) pending FHA insurance claim, or (6) pending VA guaranty claim;

(xvii) the number and aggregate Stated Principal Balance of Mortgage Loans (a) as of the related Collection Period and (b) cumulatively since the Closing Date, (i) that have been purchased by Fannie Mae from the Issuer, (ii) that are Defective Mortgage Loans and (iii) that are Liquidated Mortgage Loans;

(xviii) the amount of Realized Losses incurred on the Mortgage Loans (a) during the related Collection Period and (b) cumulatively since the Closing Date;

(xix) the amount, if any, of Extraordinary Trust Expenses (a) as of the related Distribution Date and (b) cumulatively since the Closing Date, that are paid to (i) the Delaware Trustee, (ii) the Custodian, (iii) the Master Servicer and (iv) the Co-Trustee;

(xx) the amount of any Pre-Existing Advances reimbursed to the Servicer in the related Collection Period and the aggregate of all remaining outstanding Pre-Existing Advances; and

(xxi) 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 rate and timing of principal payments on the Mortgage Loans, including principal payments as a result of liquidation, and prepayments, the timing and receipt of recoveries under FHA Policies or VA Guaranties and repurchases due to breaches of representations and warranties;

(ii) The allocation of principal distributions among the various classes of Certificates;

(iii) The interest rate on that class of Certificates;

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

(v) 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 rate of principal payments on the Certificates, the aggregate amount of distributions on the Certificates and the yield to maturity of the Certificates will be related primarily to the rate and timing of payments of principal on the Mortgage Loans. The rate of principal payments on the Mortgage Loans will in turn be affected by their amortization schedules and by the rate of principal prepayments, including prepayments resulting from refinancing, liquidations of the Mortgage Loans due to defaults, casualties, condemnations and purchases by the Seller.

The timing of changes in the rate of prepayments on the Mortgage Loans may significantly affect an investor's actual yield to maturity, even if the average rate of principal payments experienced over time is consistent with such investor's expectation. In general, the earlier a prepayment of principal on the Mortgage Loans, the greater the effect on the investor's yield to maturity. As a result, the effect on an investor's yield of principal payments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Certificates may not be fully offset by a subsequent like reduction (or increase) in the rate of principal payments.

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 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.

Factors affecting prepayments (including defaults and liquidation) include changes in mortgagors' housing needs, job transfers, unemployment, mortgagors' net equity in the mortgaged properties, changes in value of the mortgaged properties, mortgage market interest rates and servicing decisions. Investors should consider the risk that rapid rates of prepayments on the Mortgage Loans, and therefore of principal distributions on the Certificates, may coincide with periods of low prevailing interest rates. During such periods, the effective interest rates on alternative investments in which an investor may choose to reinvest amounts received as principal distributions on such investor's Certificate may be lower than the interest rate borne by such Certificate.

Because the rate of principal payments (including principal prepayments) on the Mortgage Loans may significantly affect the weighted average life and other characteristics of any class of Certificates, you are urged to consider your own estimates as to the anticipated rate of future prepayments on the Mortgage Loans and the suitability of the Certificates to your investment objectives.

The rate of defaults on the Mortgage Loans will also affect the rate and timing of principal payments on the Certificates. The rate of default on Mortgage Loans that are refinanced mortgage loans may be higher than for other types of Mortgage Loans. Furthermore, the rate and timing of prepayments, defaults and liquidations on the Mortgage Loans will be affected by the general economic condition of the regions of the country in which the related mortgaged properties are concentrated. The risk of delinquencies and loss is greater and prepayments are less likely in regions where a weak or deteriorating economy exists, as may be evidenced by, among other factors, increasing unemployment or falling property values.

Each of the Mortgage Loans has previously been in default and has had its mortgage rate reduced as a result of a loan modification. Given their historical performance, it is possible that future delinquency and loss experience of the Mortgage Pool will be greater than is normal for other mortgage pools containing similar loans that do not have such histories. Ordinarily, a high rate of default will result in liquidation of the loans and acceleration of principal distribution on the Certificates. However, if, to avoid default and to mitigate losses, the Servicer modified a Mortgage Loan to extend its term, then the payment of principal on the Certificates could be delayed. In addition, if the FHA pays a claim by issuing an FHA debenture rather than in cash and if the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, then payment of principal on the Certificates could also be delayed. See "Risk Factors—Extension Risk" in this Information Memorandum.

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) the excess, if any, of the sum of Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date over the Interest Remittance Amount available on such Distribution Date to pay the Accrued Certificate Interest for each of the Class A-1, Class A-IO and Class A-2 Certificates on such Distribution Date, (2) (A) following each Claim Date which occurs during the related Collection Period, an amount equal to the Stated Principal Balance of the related Mortgage Loan as of such Claim Date and (B) if a Mortgage Loan is otherwise liquidated for less than the Stated Principal Balance thereof prior to the related Claim Date and during the related Collection Period, the Short Sale Difference Amount for such Mortgage Loan and (3) on the Final Scheduled Distribution Date, the excess, if any, of the aggregate Certificate Principal Balance of the Class A-1 Certificates and Class A-2 Certificates immediately prior to the Final Scheduled Distribution Date over the Principal Remittance Amount available to make payments described in clauses (ii) and (iii) under "Description of the Certificates—Priority of Distributions—Principal Distribution Amount" on the Final Scheduled Distribution Date. If Fannie Mae were unable to pay under the Fannie Mae Guaranty, the Class A Certificates could be subject to losses and additional shortfalls.

To the extent the Guarantor fails to remit a required Guaranteed Amount pursuant to the Fannie Mae Guaranty, Realized Losses may be allocated to the Certificates. See "Risk Factors" herein.

Certificate Interest Rates

In addition, the yield to maturity of the Certificates will depend on the prices paid by the holders of the Certificates and the related Certificate Interest Rates. The extent to which the yield to maturity of a Certificate is sensitive to prepayments will depend upon the degree to which it is purchased at a discount or premium. If the purchaser of a Certificate offered at a discount calculates the anticipated yield to maturity of such Certificate based on an assumed rate of payment of principal that is faster than that actually received on certain of the Mortgage Loans, the actual yield to maturity will be lower than that so calculated. Conversely, if the purchaser of a Certificate offered at a premium calculates the anticipated yield to maturity of such Certificate based on an assumed rate of payment of principal that is slower than that actually received on the Mortgage Loans, the actual yield to maturity will be lower than that so calculated.

Distributions of interest on the Certificates on any Distribution Date will include interest accrued thereon through the last day of the month preceding the month in which such Distribution Date occurs. Because interest will not be distributed on such Certificates before the 25th day of the month following the month in which such interest accrues on the Mortgage Loans, the effective yield to the holders of such Certificates will be lower than the yield produced if interest were paid at the applicable Certificate Interest Rate at the end of each Collection Period.

Final Scheduled Distribution Dates

The Final Scheduled Distribution Date with respect to the Certificates will be the Distribution Date in August 2051. Due to Guaranteed Amounts and prepayments on the Mortgage Loans, the actual final Distribution Date on any class of Certificates may be substantially earlier.

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. The weighted average lives of the Certificates will be influenced by, among other things, the rate at which payments on the Mortgage Loans are received, which may be in the form of scheduled principal payments, principal prepayments or liquidations.

Prepayments on mortgage loans are commonly measured relative to a constant prepayment standard or model. The model used in this Information Memorandum is the PPC Prepayment Assumption (the "PPC Prepayment Assumption"). The PPC Prepayment Assumption represents an assumed rate of prepayment relative to the then outstanding principal balance of the Mortgage Loans for the life of such Mortgage Loans. A 100% PPC Prepayment Assumption assumes a constant prepayment rate ("CPR") of (i) 3% CPR for current Mortgage Loans, (ii) 1% CPR for Mortgage Loans 30 days delinquent and (iii) 0% CPR for Mortgage Loans 60 days delinquent, 90 or more days delinquent or Mortgage Loans in foreclosure, as well as the default assumptions contained in Schedule I hereto. The PPC Prepayment Assumption does not purport to be either historical descriptions 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 held by the Issuer.

The table titled "Percentage of Original Certificate Principal Balance Outstanding" was prepared based on the following assumptions (collectively, the "Modeling Assumptions"):

(i) the Closing Date is August 30, 2011;

(ii) the Cut-off Date is August 1, 2011, monthly payments of principal and interest on the Mortgage Loans will be timely applied on the applicable due date, commencing in September 2011;

(iii) principal payments on the Mortgage Loans representing voluntary principal prepayments in full of individual Mortgage Loans will be applied on the last day of each month commencing in August 2011 and there are no partial prepayments, prepayment interest shortfalls or Relief Act shortfalls;

(iv) each Distribution Date occurs on the 25th of the related month, commencing September 25, 2011;

(v) there are no Extraordinary Trust Expenses and no Custodial Fees;

(vi) there are no payments of Guaranteed Amounts made by the Guarantor;

(vii) the Servicer advances delinquent payments of scheduled interest and principal;

(viii) defaults on the Mortgage Loans occur at the applicable rate identified in Schedule I hereto;

(ix) there are no Realized Losses on the Mortgage Loans;

(x) liquidation lag is zero months;

(xi) an auction call does not occur;

(xii) the sum of the rates at which the amount of fees owed to the Co-Trustee, the Master Servicer and the Guarantor is 0.154% per annum; and

(xiii) the Mortgage Loans have the approximate characteristics described below:

Loan #	Delinquency Status	Current Balance($)	Gross Coupon (%)	Net Coupon (%)	Rem. Amort. Term (months)	Original Amort. Term (months)	Rem. Balloon Term (months)	Original Balloon Term (months)	Months to First Rate Step	First Step Up Rate (%)	Months to Second Rate Step	Second Step Up Rate (%)	Months to Third Rate Step	Third Step Up Rate (%)
1	Current	143,779,418.16	4.80759	4.35600	353	360	353	360	N/A	N/A	N/A	N/A	N/A	N/A
2	Current	1,124,351.53	6.72927	6.28927	278	360	235	318	N/A	N/A	N/A	N/A	N/A	N/A
3	Current	126,403,748.03	5.51758	5.06609	313	340	313	340	N/A	N/A	N/A	N/A	N/A	N/A
4	Current	16,970,613.72	4.41542	3.96411	291	298	291	298	N/A	N/A	N/A	N/A	N/A	N/A
5	Current	16,341,229.82	5.27670	4.82679	253	284	253	284	N/A	N/A	N/A	N/A	N/A	N/A
6	Current	100,242.14	4.75000	4.25000	199	200	199	200	N/A	N/A	N/A	N/A	N/A	N/A
7	30 Days DQ	57,545,934.56	4.82597	4.37675	352	360	352	360	N/A	N/A	N/A	N/A	N/A	N/A
8	30 Days DQ	605,452.22	6.41507	5.96617	262	343	227	308	N/A	N/A	N/A	N/A	N/A	N/A
9	30 Days DQ	68,266,376.11	5.46985	5.01958	318	341	318	341	N/A	N/A	N/A	N/A	N/A	N/A
10	30 Days DQ	4,076,328.89	4.40641	3.96127	302	310	302	310	N/A	N/A	N/A	N/A	N/A	N/A
11	30 Days DQ	5,618,621.12	5.20596	4.75778	249	274	249	274	N/A	N/A	N/A	N/A	N/A	N/A
12	60 Days DQ	32,053,982.91	4.84258	4.39312	352	360	352	360	N/A	N/A	N/A	N/A	N/A	N/A
13	60 Days DQ	215,819.25	6.60456	6.16456	273	360	245	332	N/A	N/A	N/A	N/A	N/A	N/A
14	60 Days DQ	37,222,587.43	5.38899	4.93725	323	344	323	344	N/A	N/A	N/A	N/A	N/A	N/A
15	60 Days DQ	3,011,967.44	4.39068	3.94146	301	309	301	309	N/A	N/A	N/A	N/A	N/A	N/A
16	60 Days DQ	2,768,221.90	5.27897	4.83594	257	278	257	278	N/A	N/A	N/A	N/A	N/A	N/A
17	90+ Days DQ	37,212,021.72	4.86238	4.40787	350	360	350	360	N/A	N/A	N/A	N/A	N/A	N/A
18	90+ Days DQ	662,955.04	6.39581	5.95581	292	360	244	312	N/A	N/A	N/A	N/A	N/A	N/A
19	90+ Days DQ	70,355,042.83	5.44399	4.99122	321	343	321	343	N/A	N/A	N/A	N/A	N/A	N/A
20	90+ Days DQ	839,556.15	4.35685	3.90851	304	313	304	313	N/A	N/A	N/A	N/A	N/A	N/A
21	90+ Days DQ	4,424,996.66	5.30817	4.85084	247	276	247	276	N/A	N/A	N/A	N/A	N/A	N/A
22	Foreclosure	17,782,737.09	4.89466	4.44224	349	360	349	360	N/A	N/A	N/A	N/A	N/A	N/A
23	Foreclosure	242,070.11	6.64863	6.20863	276	360	230	314	N/A	N/A	N/A	N/A	N/A	N/A
24	Foreclosure	36,391,448.75	5.45495	5.00017	320	341	320	341	N/A	N/A	N/A	N/A	N/A	N/A
25	Foreclosure	1,281,670.60	4.43948	3.98938	290	300	290	300	N/A	N/A	N/A	N/A	N/A	N/A
26	Foreclosure	3,210,860.24	5.27535	4.81746	259	287	259	287	N/A	N/A	N/A	N/A	N/A	N/A
27	Foreclosure	44,756.54	3.12500	2.62500	153	163	153	163	50	4.12500	62	4.37500	N/A	N/A
28	Current	75,509.47	3.25000	2.81000	237	244	237	244	53	4.25000	65	4.37500	N/A	N/A
29	Current	108,109.55	2.00000	1.50000	374	383	374	383	51	3.00000	63	4.00000	75	4.38000
30	30 Days DQ	55,172.59	2.00000	1.56000	229	234	229	234	55	3.00000	67	4.00000	79	4.75000
31	30 Days DQ	88,827.19	2.00000	1.56000	426	435	426	435	51	3.00000	63	4.00000	75	4.37500
32	Current	102,046.89	2.00000	1.50000	215	223	215	223	52	3.00000	64	4.00000	76	4.25000
33	30 Days DQ	87,558.05	2.00000	1.50000	332	342	332	342	50	3.00000	62	4.00000	74	4.37500
34	60 Days DQ	77,568.97	2.00000	1.56000	171	182	171	182	49	3.00000	61	4.00000	73	4.50000
35	Current	71,558.78	2.00000	1.50000	247	257	247	257	50	3.00000	62	4.00000	74	4.37500
36	30 Days DQ	115,716.66	2.00000	1.50000	186	196	186	196	50	3.00000	62	4.00000	74	4.38000
37	Current	77,080.97	2.00000	1.56000	387	395	387	395	52	3.00000	64	4.00000	76	4.25000
38	Current	146,623.48	2.00000	1.56000	304	311	304	311	53	3.00000	65	4.00000	77	4.37500
39	Current	139,599.07	2.00000	1.56000	283	288	283	288	55	3.00000	67	4.00000	79	4.75000
40	Current	106,391.68	2.00000	1.56000	405	413	405	413	52	3.00000	64	4.00000	76	4.25000
41	Current	164,567.33	2.00000	1.56000	319	327	319	327	52	3.00000	64	4.00000	76	4.25000
42	30 Days DQ	133,847.57	2.00000	1.56000	246	256	246	256	50	3.00000	62	4.00000	74	4.50000
43	Current	38,805.16	2.00000	1.56000	270	280	270	280	50	3.00000	62	4.00000	74	4.50000
44	Current	63,058.29	2.00000	1.50000	286	291	286	291	55	3.00000	67	4.00000	79	4.75000
45	Current	168,892.59	2.00000	1.56000	322	329	322	329	53	3.00000	65	4.00000	77	4.37500
46	Current	54,377.40	2.00000	1.56000	314	317	314	317	69	3.00000	81	4.00000	93	4.75000
47	Current	64,916.95	2.00000	1.50000	217	227	217	227	50	3.00000	62	4.00000	74	4.50000
48	Current	117,209.15	2.00000	1.56000	340	341	340	341	59	3.00000	71	4.00000	83	4.62500

We cannot assure you, however, that prepayments on the Mortgage Loans will conform to any level of the PPC Prepayment Assumption, and no representation is made that the Mortgage Loans will prepay or default at the prepayment or default rates shown or any other prepayment or default rate. The rate of principal payments on mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of interest rates. Other factors affecting prepayment of mortgage loans include changes in obligors' housing needs, job transfers and unemployment. In the case of mortgage loans in general, if prevailing interest rates fall significantly below the interest rates on the mortgage loans, the mortgage loans are likely to be subject to higher prepayment rates than if prevailing interest rates remain at or above the rates borne by the mortgage loans. Conversely, if prevailing interest rates rise above the interest on the mortgage loans, the rate of prepayment would be expected to decrease.

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 PPC Prepayment Assumption.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of PPC Set Forth Below:

	Class A-1 Certificates and Class A-IO Certificates[1]				
Distribution Date	**0%**	**50%**	**100%**	**150%**	**200%**
Initial Percentage	100%	100%	100%	100%	100%
August 25, 2012	91	90	89	89	88
August 25, 2013	65	63	62	60	59
August 25, 2014	46	44	41	39	37
August 25, 2015	30	27	25	22	20
August 25, 2016	23	19	16	14	11
August 25, 2017	15	12	9	6	3
August 25, 2018	14	11	7	4	2
August 25, 2019	13	10	6	3	1
August 25, 2020	13	9	5	2	0
August 25, 2021	11	7	4	1	0
August 25, 2022	10	6	3	0	0
August 25, 2023	9	5	2	0	0
August 25, 2024	8	4	1	0	0
August 25, 2025	7	3	0	0	0
August 25, 2026	6	2	0	0	0
August 25, 2027	5	1	0	0	0
August 25, 2028	3	0	0	0	0
August 25, 2029	2	0	0	0	0
August 25, 2030	1	0	0	0	0
August 25, 2031	0	0	0	0	0
Weighted Average Life (years) to Maturity[2]	4.27	3.66	3.23	2.92	2.72

(1) Notional class.

(2) The weighted average life of the Class A-1 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-1 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-1 Certificates.

Percentage of Original Certificate Principal Balance Outstanding

at the Respective Percentages of PPC Set Forth Below:

	Class A-2 Certificates				
Distribution Date	**0%**	**50%**	**100%**	**150%**	**200%**
Initial Percentage	100%	100%	100%	100%	100%
August 25, 2012	100	100	100	100	100
August 25, 2013	100	100	100	100	100
August 25, 2014	100	100	100	100	100
August 25, 2015	100	100	100	100	100
August 25, 2016	100	100	100	100	100
August 25, 2017	100	100	100	100	100
August 25, 2018	100	100	100	100	100
August 25, 2019	100	100	100	100	100
August 25, 2020	100	100	100	100	95
August 25, 2021	100	100	100	100	85
August 25, 2022	100	100	100	98	76
August 25, 2023	100	100	100	89	67
August 25, 2024	100	100	100	80	59
August 25, 2025	100	100	95	71	52
August 25, 2026	100	100	86	63	45
August 25, 2027	100	100	77	55	38
August 25, 2028	100	95	68	48	32
August 25, 2029	100	85	59	41	27
August 25, 2030	100	74	51	34	21
August 25, 2031	93	64	43	28	17
August 25, 2032	81	55	36	23	13
August 25, 2033	70	47	30	18	10
August 25, 2034	58	38	24	14	8
August 25, 2035	46	29	18	10	5
August 25, 2036	34	21	13	7	4
August 25, 2037	21	13	8	4	2
August 25, 2038	15	9	5	3	1
August 25, 2039	9	5	3	2	1
August 25, 2040	2	1	1	*	*
August 25, 2041	*	*	*	*	*
August 25, 2042	*	*	*	*	*
August 25, 2043	*	*	*	*	*
August 25, 2044	*	*	*	*	*
August 25, 2045	0	0	0	0	0
Weighted Average Life (years) to Maturity[(1)]	23.83	21.89	19.70	17.40	15.12

* Represents a number that is greater than zero but less than 0.5% of the original Certificate Principal Balance.

(1) The weighted average life of the Class A-2 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-2 Certificates by the number of years from the date of issuance of the Class A-2 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-2 Certificates.

Special Considerations with Respect to the Class A-IO Certificates

The yield to maturity of the Class A-IO Certificates will be sensitive to the prepayment and default experience on the Mortgage Loans which may fluctuate significantly from time to time. A rapid rate of principal payments or defaults on the Mortgage Loans could have a materially negative effect on the yield to maturity of the Class A-IO Certificates.

The Notional Balance of the Class A-IO Certificates will be equal to the Certificate Principal Balance of the Class A-1 Certificates. Any reduction of the Certificate Principal Balance of the Class A-1 Certificates will reduce the Notional Balance of the Class A-IO Certificates and correspondingly reduce the amount of interest payable on such Certificates. Prospective investors in the Class A-IO Certificates should fully consider the risk that a rapid prepayment rate or default rate on the Mortgage Loans could result in the failure of such investors to fully recover their investments.

The following table indicates the sensitivity of the yield of the Class A-IO Certificates to various rates of prepayment on the Mortgage Loans and the corresponding pre-tax yield on a corporate bond equivalent basis.

Pre-Tax Yield to Maturity on the Class A-IO Certificates

		Percentage of PPC				
Class	**Assumed Purchase Price (% of Notional Balance)***	**0%**	**50%**	**100%**	**150%**	**200%**
A-IO	6.25000%	8.24%	4.77%	0.83%	(3.38)%	(7.41)%

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

The pre-tax yields set forth in the preceding tables were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the Class A-IO Certificates, would cause the discounted present value of such assumed stream of cash flows to equal the assumed purchase price of the Class A-IO Certificates (as a percentage of the Notional Balance as of the Closing Date), and by converting such monthly rates to corporate bond equivalent rates. Such calculation does not take into account shortfalls in collection of interest due to prepayments (or other liquidations) on the Mortgage Loans or the interest rates at which investors may be able to reinvest funds received by them as distributions on the Class A-IO Certificates and consequently does not purport to reflect the return on any investment in the Class A-IO Certificates when such reinvestment rates are considered.

The performance of the Mortgage Loans will differ from those assumed in preparing the table above. There can be no assurance that the cash flows on the Class A-IO Certificates will correspond to those used to determine the pre-tax yields shown above or that the purchase price of the Class A-IO Certificates will be as assumed. It is unlikely that the Mortgage Loans will prepay at the specified percentages of PPC until maturity or that all of the Mortgage Loans will prepay at the same rate. The timing of changes in the rate of prepayments and/or defaults may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments and/or defaults and modifications is consistent with the expectations of investors. Investors must make their own decisions as to the appropriate prepayment and default assumptions to be used in deciding whether to purchase the Class A-IO 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 will have first 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. 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. For example, 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.

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

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 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.

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. 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. 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 originator's 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.

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 R 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. For federal income tax purposes, holders of the Class A-IO Certificates and Class A-2 Certificates will accrue income based on or equal to, respectively, the weighted average net mortgage interest rate on the Mortgage Loans, even if the Available Interest Rate Cap or Class A-2 Available Interest Rate Cap, as applicable, is higher or lower than such rate.

Original Issue Discount. For federal income tax reporting purposes, based in part on the issue prices of the Regular Certificates, the Class A-IO Certificates will be, and the other classes of Regular Certificates may 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. Recent legislation and IRS guidance impose U.S. federal withholding tax on interest payments for payments made after December 31, 2013 and proceeds of sale of interest-bearing obligations for payments made after December 31, 2014 for obligations issued after March 18, 2012. In general, if the Class A Certificates are not significantly modified for U.S. federal income tax purposes, it is expected that the withholding tax will not apply to obligations such as the Class A Certificates that are issued prior to March 18, 2012.

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 and the Class A-1, Class A-IO and Class A-2 Certificates will be deposited by Fannie Mae into the Fannie Mae Grantor Trust. The Depositor or an affiliate thereof will initially retain the Class R Certificates.

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, in regards to disclosure matters, and Hunton & Williams LLP, Richmond, Virginia, in regards to tax matters.

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), (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.

SCHEDULE I

Monthly Default Rate (as a percent of the Cut-off Date Balance)

Month	Current Loans	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Foreclosure
1	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
2	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
3	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
4	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
5	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
6	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
7	0.00000%	0.00000%	0.00000%	0.00000%	2.50000%
8	0.00000%	0.00000%	0.00000%	0.00000%	2.50000%
9	0.00000%	0.00000%	0.00000%	0.00000%	2.50000%
10	0.00000%	0.00000%	0.00000%	3.16667%	16.00000%
11	0.00000%	0.00000%	0.00000%	3.16667%	16.00000%
12	0.00000%	0.00000%	0.00000%	3.16667%	16.00000%
13	0.00000%	0.00000%	0.00000%	8.91667%	4.50000%
14	0.00000%	0.00000%	0.00000%	8.91667%	4.50000%
15	0.00000%	0.00000%	0.00000%	8.91667%	4.50000%
16	0.00000%	0.00000%	16.08333%	6.50000%	3.16667%
17	0.00000%	0.00000%	16.08333%	6.50000%	3.16667%
18	0.00000%	0.00000%	16.08333%	6.50000%	3.16667%
19	0.04167%	0.18750%	3.16667%	3.45833%	2.58333%
20	0.04167%	0.18750%	3.16667%	3.45833%	2.58333%
21	0.04167%	0.18750%	3.16667%	3.45833%	2.58333%
22	0.04167%	0.18750%	3.16667%	3.45833%	2.58333%
23	0.04167%	0.18750%	3.16667%	3.45833%	2.58333%
24	0.04167%	0.18750%	3.16667%	3.45833%	2.58333%
25	0.77083%	1.59375%	3.58333%	2.79167%	0.66667%
26	0.77083%	1.59375%	3.58333%	2.79167%	0.66667%
27	0.77083%	1.59375%	3.58333%	2.79167%	0.66667%
28	0.77083%	1.59375%	3.58333%	2.79167%	0.66667%
29	0.77083%	1.59375%	3.58333%	2.79167%	0.66667%
30	0.77083%	1.59375%	3.58333%	2.79167%	0.66667%
31	1.14583%	1.81250%	1.33333%	0.62500%	0.33333%
32	1.14583%	1.81250%	1.33333%	0.62500%	0.33333%
33	1.14583%	1.81250%	1.33333%	0.62500%	0.33333%
34	1.14583%	1.81250%	1.33333%	0.62500%	0.33333%
35	1.14583%	1.81250%	1.33333%	0.62500%	0.33333%
36	1.14583%	1.81250%	1.33333%	0.62500%	0.33333%
37	1.43750%	1.90625%	0.04167%	0.50000%	0.00000%
38	1.43750%	1.90625%	0.04167%	0.50000%	0.00000%
39	1.43750%	1.90625%	0.04167%	0.50000%	0.00000%
40	1.43750%	1.90625%	0.04167%	0.50000%	0.00000%
41	1.43750%	1.90625%	0.04167%	0.50000%	0.00000%
42	1.43750%	1.90625%	0.04167%	0.50000%	0.00000%
43	1.56250%	2.37500%	0.50000%	0.00000%	0.00000%
44	1.56250%	2.37500%	0.50000%	0.00000%	0.00000%

Month	Current Loans	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Foreclosure
45	1.56250%	2.37500%	0.50000%	0.00000%	0.00000%
46	1.56250%	2.37500%	0.50000%	0.00000%	0.00000%
47	1.56250%	2.37500%	0.50000%	0.00000%	0.00000%
48	1.56250%	2.37500%	0.50000%	0.00000%	0.00000%
49	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
50	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
51	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
52	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
53	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
54	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
55	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
56	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
57	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
58	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
59	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
60	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
61	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
62	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
63	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
64	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
65	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
66	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
67	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
68	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
69	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
70	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
71	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
72	0.69271%	0.94531%	0.00000%	0.00000%	0.00000%
73	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
74	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
75	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
76	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
77	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
78	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
79	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
80	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
81	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
82	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
83	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
84	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
85	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
86	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
87	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
88	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
89	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
90	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
91	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
92	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%

Month	Current Loans	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Foreclosure
93	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
94	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
95	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
96	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
97	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
98	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
99	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
100	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
101	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
102	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
103	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
104	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
105	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
106	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
107	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
108	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
109	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
110	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
111	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
112	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
113	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
114	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
115	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
116	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
117	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
118	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
119	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
120	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
121	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
122	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
123	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
124	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
125	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
126	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
127	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
128	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
129	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
130	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
131	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
132	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
133	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
134	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
135	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
136	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
137	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
138	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
139	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
140	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%

Month	Current Loans	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Foreclosure
141	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
142	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
143	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
144	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
145	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
146	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
147	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
148	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
149	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
150	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
151	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
152	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
153	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
154	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
155	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
156	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
157	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
158	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
159	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
160	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
161	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
162	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
163	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
164	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
165	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
166	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
167	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
168	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
169	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
170	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
171	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
172	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
173	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
174	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
175	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
176	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
177	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
178	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
179	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
180	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
181	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
182	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
183	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
184	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
185	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
186	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
187	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
188	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%

Month	Current Loans	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Foreclosure
189	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
190	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
191	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
192	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
193	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
194	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
195	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
196	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
197	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
198	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
199	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
200	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
201	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
202	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
203	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
204	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
205	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
206	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
207	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
208	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
209	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
210	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
211	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
212	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
213	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
214	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
215	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
216	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
217	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
218	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
219	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
220	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
221	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
222	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
223	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
224	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
225	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
226	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
227	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
228	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
229	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
230	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
231	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
232	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
233	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
234	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
235	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
236	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%

Month	Current Loans	30 Days Delinquent	60 Days Delinquent	90+ Days Delinquent	Foreclosure
237	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
238	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
239	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
240	0.02158%	0.03013%	0.00000%	0.00000%	0.00000%
241 and thereafter	0.00000%	0.03013%	0.00000%	0.00000%	0.00000%

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$690,610,448 (Approximate)

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

FannieMae®

Guaranteed Grantor Trust Pass-Through Certificates

Fannie Mae Grantor Trust 2011-T2

PROSPECTUS

August 24, 2011