

## FEDERAL NATIONAL MORTGAGE ASSOCIATION

Issue Designation:

ISSUE SUPPLEMENT  
TO  
TRUST AGREEMENT

Issue Date:

THIS ISSUE SUPPLEMENT accompanies and supplements a certain Trust Agreement, dated as of April 1, 1988, published by the Federal National Mortgage Association ("Fannie Mae") and filed in the office of its Corporate Secretary at its principal office, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. Certain words and phrases appearing herein, characterized by initial capital letters, are defined in such Trust Agreement and shall have the meanings so defined.

The collective terms of said Trust Agreement and this Issue Supplement govern the composition of the Trust Fund, the beneficial ownership of which is evidenced by the Issue of Certificates having the above designation, and have no applicability to any other Trust Fund. If any provision of this Issue Supplement conflicts with or contradicts a provision of the Trust Agreement, the provisions of this Issue Supplement shall control.

Fannie Mae, acting in its corporate capacity, does hereby transfer, assign, set over and otherwise convey to Fannie Mae, acting in its capacity as Trustee for the Holders of Certificates evidencing beneficial ownership interests in the Trust Fund established hereby, all of Fannie Mae's right, title and interest in and to the GNMA Securities identified in the Fannie Mae Security Schedule, including all payments of principal and interest thereon received after the month of the Issue Date.

Fannie Mae, acting in its capacity as Trustee for the Holders of Certificates evidencing beneficial ownership interests in the Trust Fund established hereby, acknowledges the transfer and assignment to it of the GNMA Securities and hereby declares that it will hold the same in trust for such Certificateholders on the terms in the Trust Agreement and in this Issue Supplement contained.

**Section 1. Certain Defined Terms Inapplicable.** The following terms defined in Article I of the Trust Agreement shall have no applicability to the Issue of Certificates authorized hereby: "Default Under the Trust Indenture," "Deferred Interest," "Event of Default Under the Trust Indenture," "Fannie Mae Distribution Amount," and "Trust Indenture."

**Section 2. Certain Defined Terms Redefined.** The following terms defined in Article I of the Trust Agreement are modified to have the following meanings for the Issue of Certificates authorized hereby:

**Business Day:** Any day other than (i) a Saturday or a Sunday, or (ii) a day on which either the Federal Reserve Bank of New York or Boston authorizes banking institutions in the Second Federal Reserve District or First Federal Reserve District, respectively, to be closed.

**Fannie Mae Securities:** The GNMA Securities identified in the Fannie Mae Security Schedule.

**Fannie Mae Security Schedule:** The schedule of GNMA Securities attached as Exhibit A to this Issue Supplement, such schedule setting forth as to each GNMA Security (i) the GNMA Pool number, (ii) the pass-through rate and (iii) the principal balance as of the Issue Date after giving effect to the principal component of the schedule distribution for the month of the Issue Date.

**Interest Distribution Amount:** As to each Distribution Date, one month's interest at the pass-through rate for the GNMA Securities on the Outstanding Certificate Principal Amount immediately preceding such Distribution Date.

**Principal Distribution Amount:** As to each Distribution Date, the amount calculated for such Distribution Date pursuant to Section 3.04 of the Trust Agreement, as amended by this Issue Supplement.

**Section 3. Defined Terms Applicable to Issue Supplement.** Whenever used in this Issue Supplement, the following words and phrases shall have the following meanings:

**Certificate Account:** The account created and maintained pursuant to Section 3.01 of the Trust Agreement, as amended by this Issue Supplement.

**Eligible Depository:** Any Reserve Bank or any depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities.

**Eligible Investments:** Any one or more of the following obligations or securities denominated in United States dollars:

(i) direct obligations of, and obligations fully guaranteed by, the United States of America, Fannie Mae, the Federal Home Loan Banks, or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

(ii) demand and time deposits in, certificates of deposits of, or bankers acceptances issued by, any depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal and/or state banking authorities, so long as at the time of such investment or contractual commitment providing for such investment the commercial paper or other unsecured short-term debt obligations of such depository institution or trust company (or, in the case of a depository institution which is the principal subsidiary of a holding company, the

commercial paper or other unsecured short-term debt obligations of such holding company) have the highest credit ratings available from either Rating Agency;

(iii) repurchase obligations with respect to any security described in clause (i) above entered into with a depository institution or trust company (acting as principal) described in clause (ii);

(iv) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) having the highest credit rating available from either Rating Agency at the time of such investment and maturing not later than the date prescribed in Section 3.02 hereof;

(v) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations of the United States of America or its agencies or instrumentalities (which obligations are backed by the full faith and credit of the United States of America) held by a custodian on behalf of the holders of such receipts; and

(vi) federal funds invested with depository institutions with a rating of "C" or better by Thomson Bankwatch, or a comparable rating by other bankwatch services.

**GNMA:** The Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development, or any successor thereto.

**GNMA Security:** Each fully modified pass-through mortgage-backed certificates guaranteed by GNMA identified in the Fannie Mae Security Schedule that is transferred and assigned to the Trustee and included in the Trust Fund.

**Rating Agency:** Either Standard & Poor's Corporation or Moody's Investors Service, Inc. and their respective successors in interest.

**Security Distribution:** As to any GNMA Security and Security Distribution Due Date, the amount of the distribution payable to the holder of such GNMA Security in accordance with its terms.

**Security Distribution Due Date:** The date upon which a particular Security Distribution is payable to the holder of the related GNMA Security in accordance with its terms.

**Security Principal Balance:** As of the date of determination with respect to any GNMA Security, the then outstanding principal balance of such GNMA Security.

**Section 4. Certain Amendments of the Trust Agreement.** The Trust Agreement, as it relates to the Issue of Certificates authorized by this Issue Supplement, is hereby amended by (a) deleting therefrom Sections 3.01 and 3.02 in their entirety, (b) renumbering Section 3.03 thereof as Section 3.05, and (c) inserting in Article III thereof the following sections:

**Section 3.01. Certificate Account; Security Distributions.** On or before the issuance of the Certificates, Fannie Mae shall either (i) open with an Eligible Depository one or more trust accounts in the name of the Trustee that shall collectively be the "Certificate Account," (ii) in lieu of maintaining any such account or accounts, maintain the Certificate Account by means of appropriate entries on its books and records designating all amounts credited thereto in respect of the GNMA Securities and all investments of any such amounts as being held by it in its capacity as Trustee for the benefit of the Holders of Certificates or (iii) maintain the Certificate Account in the form of any combination of accounts or book entries described in clauses (i) and (ii) above. Any manner or manners in which the Certificate Account is maintained may at any time be changed without notice to, or the approval of, Holders of Certificates so long as funds held in the Trust Fund by, or for the account of, the Trustee shall at all times be identified. To the extent that the Certificate Account is maintained by the Trustee in the manner provided for in clause (ii) above, all references herein to deposits and withdrawals from the Certificate Account shall be deemed to refer to credits and debits to the related books of the Trustee.

Fannie Mae shall deposit in the Certificate Account all Security Distributions received by it as Trustee hereunder. All Security Distributions deposited from time to time in the Certificate Account and all investments made with such moneys shall be held by the Trustee in the Certificate Account as part of the Trust Fund as herein provided, subject to withdrawal by Fannie Mae for the purposes set forth in Section 3.03.

**Section 3.02. Investments.** All or a portion of amounts in the Certificate Account maintained with an Eligible Depository pursuant to clause (i) in Section 3.01 shall be invested and reinvested at the discretion and direction of Fannie Mae in one or more Eligible Investments bearing interest or sold at a discount. Any investments in obligations of Fannie Mae shall be made on a basis substantially comparable to that available in an arm's-length transaction. No investment shall mature later than the Business Day immediately preceding the Distribution Date upon which the related amounts are required to be applied to distributions on the Certificates pursuant to this Issue Supplement, except that any investment in the federal funds market or on which the Eligible Depository, in its commercial capacity, or Fannie Mae is the obligor may mature on the related Distribution Date. No Eligible Investment may be sold while in the Certificate Account except to the extent that Fannie Mae believes that a sale of an Eligible Investment is desirable because of the possibility of a default by the obligor thereon.

All amounts held by the Trustee pursuant to clause (ii) of Section 3.01 may be commingled with other funds at any time held by Fannie Mae and applied, subject to its obligations herein contained, in its normal business operations or otherwise. Under no circumstances shall Fannie Mae be accountable to the Trust Fund for interest in respect of any

amounts so commingled and applied and such amounts shall not be credited to the Certificate Account.

**Section 3.03. Withdrawal from the Certificate Account.** Amounts credited to the Certificate Account on any Distribution Date shall be withdrawn by Fannie Mae for application towards the distribution to Certificateholders of the Issue Distribution Amount. In the event that amounts shall remain in the Certificate Account on any Distribution Date following distribution of the Issue Distribution Amount, such amounts may be withdrawn by Fannie Mae as compensation for its administrative and guaranty obligations or as a reimbursement to Fannie Mae for any advance by it pursuant to such guaranty obligations under Section 3.04 hereof; provided, however, that amounts may be withdrawn only to the extent that, after giving effect to such withdrawal, the Outstanding Certificate Principal Amount is not greater than the sum of (i) the aggregate Security Principal Balances of the GNMA Securities as of such Distribution Date and (ii) any amount remaining on deposit in the Certificate Account after giving effect to such withdrawal. Any amount so withdrawn shall no longer be a part of the Trust Fund.

**Section 3.04. Distributions on Certificates; Fannie Mae Guaranty.** On or about the sixth Business Day of each month beginning in the month of the initial Distribution Date, Fannie Mae shall calculate the Principal Distribution Amount for the following Distribution Date which shall be equal to the sum of (i) as to each GNMA Security for which a pool factor was available at the close of business on or about the fifth Business Day of such month, the amount of principal reflected in such pool factor as being distributable in respect of such GNMA Security during such month, (ii) as to each GNMA Security for which a pool factor was not available at the close of business on or about the fifth Business Day of such month (including any GNMA Security for which the pool factor was zero as of such date), the amount of scheduled principal calculated by Fannie Mae as being distributable during such month on the basis of the assumptions specified below and (iii) as to each month following the month of the initial Distribution Date, the excess of (x) the distributions of principal of the GNMA Securities due to be received during the prior month and received prior to the close of business on the fifth Business Day of the current month over (y) the amounts of principal calculated as distributable during such prior month in accordance with clauses (i) and (ii) above. In computing the amount of scheduled principal distributable in respect of a GNMA Security during the month, such GNMA Security shall be assumed to be a single mortgage loan which amortizes on a level installment basis and (i) has a principal balance equal to the Security Principal Balance of the GNMA Security, (ii) had an original term to maturity of 360 months (except in the case of a GNMA Security backed by 15-year mortgage loans), (iii) has a remaining term to maturity equal to the remaining term to maturity of the latest maturing mortgage loan underlying such GNMA Security at the origination of such GNMA Security and (iv) bears an interest rate 0.50% per annum in excess of the pass-through rate of such GNMA Security, in the case of a GNMA Security originated under the GNMA I Program, or 1.50% per annum in excess of the pass-through rate of such GNMA Security, in the case of a GNMA Security originated under the GNMA II Program. Promptly following the calculation of the Principal Distribution Amount for a Distribution Date, Fannie Mae shall calculate the Issue Distribution Amount for such Distribution Date.

On each Distribution Date, Fannie Mae shall withdraw from the Certificate Account the Issue Distribution Amount so determined by it and shall distribute or cause to be distributed to each Certificateholder of record on the preceding Record Date in Federal Funds such Certificateholder's Percentage Interest in the applicable Issue Distribution Amount. In the event that the amount on deposit in the Certificate Account on any Distribution Date shall be less than the applicable Issue Distribution Amount, Fannie Mae shall provide from its own funds the amount of any insufficiency so that the full Issue Distribution Amount is distributed on such Distribution Date. Any distribution of principal pursuant to the preceding sentence shall be deemed to be part of a Principal Distribution Amount for purposes of all future calculations of Certificate Principal Factors. Fannie Mae guarantees to the Holders of Certificates that (i) the amount distributed by Fannie Mae in respect thereof on each Distribution Date will include an Interest Distribution Amount which is equal to one month's interest on the Outstanding Certificate Principal Amount at the pass-through rate borne by the underlying Fannie Mae Securities, and (ii) principal will be distributed on each Distribution Date in an amount equal to the Principal Distribution Amount, the aggregate of such principal distributions over the life of the Certificates being equal to the Original Certificate Principal Amount.

**Section 5. Deletion of Sections 6.03 and 8.03 of the Trust Agreement.** The text of Sections 6.03 and 8.03 of the Trust Agreement as it relates to the Issue of Certificates authorized by this Issue Supplement, is hereby deleted in its entirety and in lieu thereof, the following shall be inserted: "Intentionally Omitted."

IN WITNESS WHEREOF, the parties hereto hereby execute this Issue Supplement, as of the day of year first above written.

FEDERAL NATIONAL MORTGAGE ASSOCIATION  
in its corporate capacity, and as Trustee

By: \_\_\_\_\_

[SEAL]

Attest: \_\_\_\_\_  
Secretary