Single-Family MBS Prospectus

FannieMae®

Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans)

The Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the guaranteed mortgage pass-through certificates. Each issuance of certificates will have its own identification number and will represent beneficial ownership interests in a distinct pool of residential mortgage loans that are secured by single-family (one-to four-unit) dwellings, or in a pool of participation interests in loans of that type. The mortgage loans or participation interests are held in a trust created under a trust agreement.

Fannie Mae Guaranty

We guarantee to each trust that we will supplement amounts received by the trust as required to permit timely payments of principal and interest on the certificates. **We alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates 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.**

Consider carefully the risk factors beginning on page 13. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates are exempt from registration under the Securities Act of 1933, as amended, and are "exempted securities" under the Securities Exchange Act of 1934, as amended. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is October 1, 2014.

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DISCLOSURE DOCUMENTS FOR ISSUANCES OF CERTIFICATES

The disclosure documents for any particular series of certificates include this prospectus, the related prospectus supplement and any information incorporated into these documents by reference as discussed under the heading "**INCORPORATION BY REFERENCE**."

This Prospectus and the Prospectus Supplements

We will provide information that supplements this prospectus in connection with each issuance of certificates. We will post this prospectus and the related prospectus supplement for each issuance of certificates on our Web site identified below. In addition, we will deliver these documents either electronically or in paper form to parties who request them in accordance with our procedures. **In determining whether to purchase the certificates of a particular issuance in an initial offering, you should rely ONLY on the information in this prospectus and the related prospectus supplement, and any information that we have otherwise incorporated into these documents by reference. We take no responsibility for any unauthorized information or representation.**

Each prospectus supplement will include information about the certificates being offered as well as information about the pooled mortgage loans backing those certificates. Unless otherwise stated in this prospectus or the related prospectus supplement, information about the mortgage loans will be given as of the issue date stated in the prospectus supplement, which is the first day of the month in which the certificates are issued. Because each prospectus supplement will contain specific information about a particular issuance of certificates, you should rely on the information in the prospectus supplement to the extent it is different from or more complete than the information in this prospectus.

Each prospectus supplement also may include a section under the heading "Recent Developments" that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues affecting Fannie Mae.

You should note that the certificates are not traded on any exchange and that the market price of a particular series or class of certificates or a benchmark price may not be readily available.

We provide pool-level data on our pools, including updated information and corrections, through our PoolTalk® application and at other locations on our Web site. In addition, we make available on our Web site certain at-issuance loan-level data on mortgage loans that back certificates issued in 2012 and in subsequent years and certain ongoing loan-level data on mortgage loans that back certificates issued in 2013 and in subsequent years. The data, which is in a downloadable form, is based solely on information that has been provided to us by the sellers and direct servicers of the mortgage loans and that may not have been independently verified by us. Given the volume of loan-level data so provided, we anticipate that some of the data will be incorrect or incomplete. As a result, sellers and direct servicers may notify us that certain loan-level data previously provided to us is incorrect. Accordingly, we cannot provide assurance as to the accuracy or completeness of this loan-level data. We do, however, update loan-level data on a monthly basis based on data provided by the sellers and direct servicers and, if we are made aware of an error, we publish the correct value if possible. We assume no responsibility for damages incurred in connection with the use of the information contained in the loan-level data for other than its intended purposes.

We file with the Securities and Exchange Commission ("SEC") a quarterly report (each, an "ABS 15G report") required by Rule 15Ga-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each ABS 15G report discloses information concerning each fulfilled and unfulfilled repurchase request (or request for an alternative remedy) that we have made to third parties for breaches of the representations and warranties concerning the mortgage loans that directly back many of our outstanding mortgage-related securities. The ABS 15G reports are available on the SEC's Web site, www.sec.gov, and at the SEC's Public Reference

Room at 100 F Street NE, Washington, DC 20549. All references to the SEC's Web site address are provided solely for your information. Information appearing on the SEC's Web site is not incorporated into this prospectus or into any prospectus supplement.

This prospectus and the related prospectus supplement are available on our Web site at www.fanniemae.com. You may also obtain copies of these documents without charge by emailing us at fixedincome_marketing@fanniemae.com; calling the Fannie Mae Fixed-Income Helpline at 1-800-BEST MBS (1-800-237-8627) or, for international callers, +1 202-752-5858; or writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue NW, Area 2H-3S, Washington, DC 20016. The prospectus supplement is typically available no later than two business days before the settlement date of the related issuance of certificates. All references to our Web site address are provided solely for your information. Unless otherwise stated, information appearing on our Web site is not incorporated into this prospectus or into any prospectus supplement.

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 the related prospectus supplement together with these documents.

You should rely on only the information provided or incorporated by reference in this prospectus and the related prospectus supplement. Moreover, you should rely on only the most current information.

We incorporate by reference the following documents we have filed, or may file, with the SEC:

- our annual report on Form 10-K for the fiscal year ended December 31, 2013 (the "2013 Form 10-K");
- all other reports we have filed pursuant to section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the 2013 Form 10-K until the date of this prospectus, including our quarterly reports on Form 10-Q and our current reports on Form 8-K, but excluding any information we "furnish" 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 Exchange Act after the date of this prospectus and before the completion of the offering of the related certificates, but excluding any information we "furnish" to the SEC on Form 8-K.

Our common stock is registered with the SEC under the Exchange Act. We file quarterly and annual reports with the SEC. Those SEC filings are available on our Web site at www.fanniemae.com and on the SEC's Web site at www.sec.gov. We refer to these Web sites for your reference only; we are not incorporating into this prospectus any of the information available on these Web sites other than as specifically stated in this prospectus. You should rely only on the information included or incorporated by reference in this prospectus in deciding whether or not to invest in the certificates. We have not authorized anyone to provide you with any different or additional information.

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. Materials that we file with the SEC are also available on the SEC's Web site and at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549.

You may also request copies of any filing from us, at no cost, by contacting us in the manner described in "**DISCLOSURE DOCUMENTS FOR ISSUANCES OF CERTIFICATES—This Prospectus and the Prospectus Supplements**."

SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it speaks in general terms without giving details or discussing any exceptions. Before buying any issuance of certificates, you should have the information necessary to make a fully informed investment decision. For that, you must read this prospectus in its entirety (and any documents to which we refer you in this prospectus) as well as the related prospectus supplement.

Security	Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans).
Issuer and Guarantor	Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938 under the name "Federal National Mortgage Association" to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. The address of our principal office is 3900 Wisconsin Avenue NW, Washington, DC 20016; the telephone number is 202-752-7000. Fannie Mae has been under conservatorship since September 6, 2008. The conservator, the Federal Housing Finance Agency, succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. For additional information on conservatorship, see "**FANNIE MAE—Regulation and Conservatorship**." Our regulators include the Federal Housing Finance Agency, the U.S. Department of Housing and Urban Development, the SEC, and the U.S. Department of the Treasury. The Office of Federal Housing Enterprise Oversight, the predecessor of the Federal Housing Finance Agency, was our safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008. On September 7, 2008, we entered into a senior preferred stock purchase agreement with the U.S. Department of the Treasury pursuant to which we issued to it one million shares of senior preferred stock and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. **Nevertheless, we alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates 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.**
Sponsor and Depositor	We are the sponsor of each issuance of certificates and the depositor of the mortgage loans into the related trust.

Description of Certificates	Each certificate will represent a pro rata undivided beneficial ownership interest in a pool of mortgage loans. We will issue the certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. The book-entry certificates will not be convertible into physical certificates.
Minimum Denomination	We will issue the certificates in minimum denominations of $1,000, with additional increments of $1.
Issue Date	The first day of the month in which the certificates are issued.
Settlement Date	No later than the last business day of the month in which the issue date occurs.
Distribution Date	The 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payments will be made on the next business day. The first distribution date for an issuance of certificates will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1, the first distribution date is April 25 or, if April 25 is not a business day, the first business day following April 25.
Maturity Date	With respect to any pool, the date, calculated as of the issue date of the related certificates, that is either the first day of the month coinciding with the last scheduled payment date of the mortgage loan in the pool that has the latest final scheduled payment date **or**, if the last scheduled payment date of that mortgage loan is not the first day of a month, then the first day of the month that immediately follows the last scheduled payment date.
Use of Proceeds	We usually issue certificates in exchange for the mortgage loans in the pool backing the certificates. We sometimes issue certificates backed by pools of mortgage loans that we already own, in which case we receive cash proceeds that are generally used for purchasing other mortgage loans or for general corporate purposes.
Interest	On each distribution date, we will pass through interest on the certificates as follows: • *for pools containing fixed-rate mortgage loans*: one month's interest at the fixed pass-through rate specified in the prospectus supplement. • *for pools containing adjustable-rate mortgage loans*: one month's interest at the then-current variable pass-through rate (referred to as the pool accrual rate). The initial pool accrual rate is specified in the prospectus supplement.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of interest, the amount of interest distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a mortgage loan while it remains in the trust.

Principal . . . . We receive collections on the mortgage loans on a monthly basis. The period we use to differentiate between collections in one month and collections in another month is called the due period. The due period is the period from and including the second calendar day of the preceding month to and including the first calendar day of the month in which the distribution date occurs.

On each distribution date, we will pass through principal of the certificates as follows:

- the aggregate amount of the scheduled principal due on the mortgage loans in the pool during the related due period; and
- the aggregate amount of all unscheduled principal payments received as specified below:
  - the stated principal balance of mortgage loans as to which prepayments in full were received during the calendar month immediately preceding the month in which that distribution date occurs;
  - the stated principal balance of mortgage loans that were purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs; and
  - the amount of any partial prepayments on mortgage loans that were received during the calendar month immediately preceding the month in which that distribution date occurs.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of the principal amounts specified above, the amount of principal distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a mortgage loan while it remains in the trust.

Direct servicers generally have chosen to treat prepayments in full received on the first business day of a month as if received on the last calendar day of the preceding month. As a result, such a prepayment will be passed through to certificateholders on the distribution date in the same month in which the prepayment actually was received. If a direct servicer chooses not to treat prepayments in full in this way, that prepayment would be passed through to certificateholders on the distribution date in the month following the month in which the prepayment actually was received.

Monthly Pool Factors . . . . On or about the fourth business day of each month, we publish the monthly pool factor for each issuance of certificates. If you multiply the monthly pool factor by the original principal balance of the certificates, you will obtain the current principal balance of the certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. The most current pool factor is generally available through our PoolTalk application on our Web site.

Guaranty . . . . We guarantee to each trust that on each distribution date we will supplement amounts received by the trust as required to permit payments on the related certificates in an amount equal to:

- the aggregate amounts of scheduled and unscheduled principal payments described in "—Principal" above, and
- an amount equal to one month's interest on the certificates, as described in "—Interest" above.

In addition, we guarantee to the related trust that we will supplement amounts received by the trust as required to make the full and final payment of the unpaid principal balance of the related certificates on the distribution date in the month of the maturity date specified in the prospectus supplement.

Our guaranty runs directly to the trust and not directly to certificateholders. Certificateholders have limited rights to bring proceedings directly against us to enforce our guaranty. See "**THE TRUST DOCUMENTS—Certificateholders' Rights Upon a Guarantor Event of Default**." While we are in the current conservatorship, the conservator does not have the right to repudiate our guaranty on the certificates offered by this prospectus. However, if we are placed into receivership, or if we emerge from conservatorship and are then again placed into conservatorship, the receiver or conservator, as applicable, will have the right to repudiate our guaranty on the certificates. See **"RISK FACTORS—RISKS RELATING TO CREDIT—Fannie Mae Credit Factors."**

Certificateholders have limited rights to bring proceedings against the U.S. Department of the 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. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see "**FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement**."
Master Servicing/Servicing	We are responsible as master servicer for certain duties. We generally contract with mortgage lenders to perform servicing functions for us subject to our supervision. We refer to these servicers as our direct servicers. In certain cases, we may act as a direct servicer. For a description of our duties as master servicer and the responsibilities of our direct servicers, see "**THE TRUST DOCUMENTS—Collection and Other Servicing Procedures**" and "**FANNIE MAE PURCHASE PROGRAM—Servicing Arrangements**."
Business Day	Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, or a day when the Federal Reserve Bank of New York is closed or is authorized or obligated by law or executive order to remain closed. In addition, for purposes of withdrawals from a certificate account, a day on which the Federal Reserve Bank is closed in a district where the certificate account is maintained if the related withdrawal is being made from that certificate account.
Trust Documents	Each issuance of certificates is issued pursuant to the Single-Family Master Trust Agreement effective as of January 1, 2009, as supplemented by an issue supplement for that issuance. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement and the related issue supplement for a complete description of your rights and obligations as well as those of Fannie Mae in its various capacities. The trust agreement may be found on our Web site.
Trustee	We serve as the trustee for each trust pursuant to the terms of the trust agreement and the related issue supplement.
Paying Agent	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the certificates.
Fiscal Agent	An entity designated by us to perform certain administrative functions for our trusts. The Federal Reserve Bank of New York currently serves as our fiscal agent for the certificates.
Mortgage Pools	Each mortgage pool will contain the types of mortgage loans (or participation interests in mortgage loans)

	described in the prospectus supplement. Each mortgage loan in a pool will be secured by a first or subordinate lien on a single-family, residential property containing one to four dwelling units (including manufactured housing) or on a share in a cooperative housing corporation representing the right to occupy a residential dwelling.
Mortgage Loans	We acquire mortgage loans from mortgage loan sellers that we have approved. The mortgage loans may have been originated by the seller or may have been acquired by the seller from the originator of the loans, which may or may not be an approved mortgage loan seller. Each mortgage loan that we acquire must meet our published standards (except to the extent that we have permitted variances from those standards). We may modify our standards from time to time. Under certain circumstances, we may acquire and deposit into pools fixed-rate mortgage loans that are refinancings of mortgage loans previously owned by us or held in Fannie Mae MBS trusts without regard to the current loan-to-value ratios of the mortgage loans. Mortgage pools may include the following types of mortgage loans: • Fixed-rate, equal monthly payment, fully amortizing loans; • Fixed-rate, equal biweekly payment, fully amortizing loans; • Fixed-rate loans with monthly payments of interest alone for a specified initial period, followed by fully amortizing equal monthly payments of principal and interest for the remaining loan term; • Fixed-rate loans with a balloon payment due at maturity; • Adjustable-rate, monthly pay, fully amortizing loans; and • Adjustable-rate loans with monthly payments of interest alone during a specified initial period, followed by fully amortizing monthly payments of principal and interest for the remaining loan term. The mortgage loans may bear a fixed rate of interest during all or a portion of the initial interest-only period.
Minimum Pool Size	Unless the prospectus supplement provides otherwise, each of our pools will typically consist of either: • Fixed-rate loans mortgage that have an aggregate unpaid principal balance of at least $1,000,000 as of the issue date, or

	• Adjustable-rate mortgage loans that have an aggregate unpaid principal balance of at least $500,000 as of the issue date.
Termination	The trust for a particular issuance of certificates will terminate when the certificate balance of the certificates has been reduced to zero, and all required distributions have been passed through to certificateholders. We do not have any unilateral option to cause an early termination of the trust other than by purchasing a mortgage loan from a pool for a reason permitted by the trust documents.
Federal Income Tax Consequences	Each mortgage pool will be classified as a fixed investment trust. Each beneficial owner of a certificate will be treated as the owner of a pro rata undivided interest in each of the mortgage loans included in that pool. Accordingly, each owner will be required to include in income its pro rata share of the entire income from each mortgage loan in the pool, and generally will be entitled to deduct its pro rata share of the expenses of the trust, subject to the limitations described in this prospectus.
Legal Investment Considerations	Under the Secondary Mortgage Market Enhancement Act of 1984, the certificates offered by this prospectus and the related prospectus supplement will be considered "securities issued or guaranteed by . . . the Federal National Mortgage Association." Nevertheless, you should consult your own legal advisor to determine whether and to what extent the certificates of an issuance constitute legal investments for you.
ERISA Considerations	For the reasons discussed in **"ERISA CONSIDERATIONS"** in this prospectus, an investment in the certificates by a plan subject to the Employee Retirement Income Security Act ("ERISA") will not cause the assets of the plan to include the mortgage loans underlying the certificates or the assets of Fannie Mae for purposes of the fiduciary provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Internal Revenue Code of 1986, as amended.

RISK FACTORS

We have listed below some of the principal risk factors associated with an investment in the certificates. Moreover, you should carefully consider the risk factors related to Fannie Mae that are found in our annual report on Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus. The risk factors related to Fannie Mae include risks that may affect your investment in and the value of the certificates. You should review all 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 or legal advisor to determine whether the certificates are a suitable investment for you.

RISKS RELATING TO INVESTMENT DECISIONS

The certificates may not be a suitable investment for you.

The certificates are complex financial instruments. They are not a suitable investment for every investor. Before investing, 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 being offered as well as the information contained in this prospectus, the prospectus supplement, and the documents incorporated by reference;
- understand thoroughly the terms of the certificates;
- 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;
- have sufficient financial resources and liquidity to bear all risks associated with the certificates; and
- investigate any legal investment restrictions that may apply to you.

You should exercise particular caution if your circumstances do not permit you to hold the certificates until maturity.

If a pool holds mortgage loans with loan-to-value ratios greater than 125%, the related certificates are not eligible investments for a real estate mortgage investment conduit ("REMIC").

A mortgage loan with a loan-to-value ratio in excess of 125% is not a "qualified mortgage" within the meaning of section 860G(a)(3) of the Internal Revenue Code of 1986. As a result, if a pool contains a mortgage loan with a loan-to-value ratio greater than 125%, a certificate evidencing a beneficial ownership interest in the pool will not be an eligible investment for a REMIC.

RISKS RELATING TO YIELD AND PREPAYMENT

Yield

The yield on your certificates may be lower than expected due to an unexpected rate of principal prepayments.

The actual yield on your certificates is likely to be lower than you expect:

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

Moreover, in the case of certificates purchased at a premium, you may lose money on your investment if prepayments occur at a rapid rate. Notwithstanding the price you paid for your certificates, if principal payments are faster than you expect, then, depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest those funds at a yield that is equal to or greater than the yield on your certificates. If principal payments are slower than you expect, your ability to reinvest those funds will be delayed. In that case, if the yield on your certificates is lower than comparable investments available when you expected to, but did not, receive principal, you will be at a disadvantage by not having as much principal available to reinvest at that time. Some of the specific reasons that mortgage loans could be prepaid at a rate that differs from your expectations are described below.

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

Mortgage loans may be partially or fully prepaid, accelerating the rate of principal payments on your certificates.

Some borrowers may partially or fully prepay the principal on their mortgage loans, thereby reducing or eliminating their outstanding loan balance. In addition, an involuntary prepayment of principal may occur as a result of a casualty or condemnation. For example, if the damage to or destruction of a mortgaged property is wholly or partially covered by insurance, the insurance proceeds may be used to prepay the related mortgage loan rather than repair the property. If a prepayment of principal is made on a mortgage loan (whether voluntarily or involuntarily), the outstanding principal balance of the certificates will be reduced by the amount of the prepaid principal. The prepaid principal will be passed through to certificateholders, accelerating the payment of principal on your certificates. The effect of a prepayment of principal may be greater if the mortgage loan is an interest-only loan for a portion of its term because distributions on the certificates during the interest-only term will include any unscheduled payments of principal made by the borrower during that time.

A pool of mortgage loans may afford little or no diversification of investment.

Although an investment in certificates backed by a number of mortgage loans may benefit an investor by providing diversification, the benefit may be realized only if and to the extent that your pool contains many loans that differ from one another as to credit risk and other risk parameters. You should review carefully the prospectus supplement, which provides the number of mortgage loans included in a pool, the geographic locations of the mortgaged properties and other general characteristics of the loans. The diversification of a pool may increase or decrease over time due to repayment of mortgage loans in the pool, purchases of mortgage loans from the pool or substitution of collateral in the pool.

The characteristics of mortgage loans may differ within a pool and from pool to pool, causing prepayment speeds to differ for different issuances of certificates.

We purchase mortgage loans with many different characteristics. For a description of these characteristics, see "**THE MORTGAGE LOANS**." We change our loan eligibility requirements and underwriting standards from time to time. A pool may include a mix of mortgage loans with differing characteristics and mortgage loans originated at different times. This means it is possible that not all the mortgage loans in a particular pool will be subject to the same eligibility and underwriting standards. Moreover, the characteristics of the mortgage loans in one pool may differ significantly from the characteristics of the mortgage loans in another pool. The differences among the loan characteristics and the eligibility and underwriting standards that were applied in the mortgage loan purchases may affect the likelihood that a borrower will prepay a mortgage loan under various prevailing economic circumstances or the likelihood that a borrower will become delinquent. Thus, these differences may have an effect upon the extent to which the prepayment of a particular issuance of certificates will follow predicted prepayment speeds or average prepayment speeds of otherwise similar certificates issued at the same time.

The location of real property securing mortgage loans in a pool may vary from pool to pool, causing prepayment speeds to differ among different issuances of certificates.

We purchase mortgage loans throughout the United States and its territories. A pool may include mortgage loans secured by property in one or several states and may be relatively concentrated or diverse in location. Regional economic differences among locations may affect the likelihood that a borrower will prepay a mortgage loan or that a borrower will become delinquent. Thus, the differences among geographic concentrations in pools may affect whether the principal payment rate of a particular issuance of certificates will follow the predicted or average payment speeds of otherwise similar certificates issued concurrently. Furthermore, a natural disaster such as a hurricane, tornado or earthquake could severely affect the economy of a particular region for an extended period of time. This could result in an increase in the number of defaults or repayments by borrowers, causing accelerated principal payments to certificateholders and adversely affecting your yield.

Pools containing relocation mortgage loans may have higher rates of prepayment than otherwise comparable pools containing non-relocation mortgage loans.

A pool may contain relocation mortgage loans made to borrowers whose employers frequently relocate their employees. Thus, the rate of prepayment of these mortgage loans will be influenced by:

- the circumstances of individual employees and employers,
- the characteristics of the relocation programs, and
- the occurrence and timing of the relocation of the borrowers.

It is possible that borrowers under relocation mortgage loans are more likely than other borrowers to be transferred by their employers. If so, relocation mortgage loans could experience a higher rate of prepayment than otherwise comparable non-relocation mortgage loans. Because many unpredictable factors affect the prepayment rate of relocation mortgage loans, we cannot estimate the prepayment experience of these loans. We are unaware of any conclusive data on the prepayment rate of relocation mortgage loans. See **"THE MORTGAGE LOANS—Special Feature Mortgage Loans."**

Volatility in currency exchange rates may adversely affect the yield on your certificates.

We will make all payments of principal and interest on the certificates in U.S. dollars. If you conduct your financial activities in another currency, an investment in any U.S. dollar-denominated security such as the certificates has significant additional risks. These include the possibility of significant changes in the rate of exchange and the possibility that exchange controls may be imposed. In recent years, the exchange rates between the U.S. dollar and certain currencies have been highly volatile. This volatility may continue. If the value of your currency appreciates relative to the value of the U.S. dollar, the yield on the certificates, the value of payments on the certificates and the market value of the certificates all would decline in terms of your currency.

We may purchase a mortgage loan from your pool if the loan becomes delinquent, which may result in an early return of principal of your certificate.

A mortgage loan may become delinquent for a variety of reasons, many of which are discussed below. If a mortgage loan in your pool becomes delinquent, you may receive a prepayment of principal of your certificate. Under the trust documents, we have the option to purchase a mortgage loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage loan documents, during the period from the first missed payment date through the fourth consecutive payment date (or through the eighth consecutive payment date, in the case of a biweekly mortgage loan). Moreover, under certain circumstances that are specified in the trust documents, we have the option to purchase a mortgage loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage loan documents, during the period from the first missed payment date through the second consecutive payment date (or through the fourth consecutive payment date in the case of a biweekly mortgage loan). See "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools—*Optional Purchases by Guarantor***."

Factors affecting the likelihood of a borrower default on a mortgage loan include the following:

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

In deciding whether and when to purchase a mortgage loan from a pool, we consider a variety of factors, including our legal ability or obligation to purchase mortgage loans under the terms of the trust documents; our mission and public policy; our loss mitigation strategies and the exposure to credit losses we face under our guaranty; our cost of funds; the impact on our results of operations; relevant market yields; the accounting impact; the administrative costs associated with purchasing and holding the mortgage loans; counterparty exposure to lenders that have agreed to cover losses associated with delinquent mortgage loans; general market conditions; our statutory obligations under the Federal National Mortgage Association Charter Act, as amended (the "Charter Act"); and other legal obligations such as those established by consumer finance laws. The weight we give to these factors changes depending on market circumstances and other factors.

As of the date of this prospectus, it is our intention to continue to purchase nearly all mortgage loans that become delinquent as to four or more consecutive monthly payments, subject to economic, market, operational and regulatory constraints. In general, we intend to conduct these voluntary purchases when it is in our economic interest to do so. In the future, we will continue to review the economics of purchasing mortgage loans that are delinquent as to four or more monthly payments and may reevaluate our practices and alter them if circumstances warrant. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments Resulting from Servicing Policies and Practices Regarding Troubled Loans*—***Purchases of Delinquent Mortgage Loans*" for a discussion of our current servicing policies and practices regarding purchases of delinquent mortgage loans.

When we purchase a delinquent mortgage loan from a pool, its stated principal balance, together with accrued interest, is passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, our purchase of a delinquent mortgage loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment, accelerating the payment of principal on your certificates.

We may purchase or require the purchase of some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate of principal payment on your certificates.

We do not re-underwrite the mortgage loans that we acquire. Instead, at the time that mortgage loans are delivered to us, we require that representations and warranties be made to us concerning the mortgage loan seller and the mortgage loans being delivered, including representations and warranties that the loans comply with all applicable federal, state and local laws, including anti-predatory lending laws, and that the loans meet our then-current selling guidelines. If the representations and warranties were not true when made, we may require the party or parties responsible for the representations and warranties to purchase the mortgage loans from your pool or, in some cases, we may purchase the mortgage loans ourselves. The affected mortgage loans could include some or all of the loans in your pool. See "**FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties**" for a description of the representations and warranties that we require.

We have changed our quality control review procedures in the manner described below. As a result of these changes, we may determine much earlier in the life of mortgage loans that the loans are not acceptable, which may result in earlier purchases of mortgage loans from pools. When we purchase a mortgage loan from a pool, its stated principal balance, together with accrued interest, is passed through to the certificateholders on the distribution date in the month following the month of purchase. Thus, a breach of a representation and warranty resulting in the purchase of a mortgage loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment, accelerating the payment of principal on your certificates.

For conventional mortgage loans that we deposited into MBS pools with issue dates before January 1, 2013, we continue to perform quality control reviews on a random basis or when a mortgage loan becomes seriously delinquent or defaults. However, conventional mortgage loans that we deposited into MBS pools with issue dates on or after January 1, 2013 are governed by a different representation and warranty framework (the "2013 framework") under which lenders may be relieved of certain repurchase obligations for mortgage loans that meet specific payment history and other eligibility requirements. Under this 2013 framework, for these mortgage loans, the primary focus of our quality control reviews has shifted from the time a mortgage loan defaults to shortly after a mortgage loan is delivered to us. This allows us to determine much earlier either that a mortgage loan is acceptable, which results in repurchase relief for the mortgage loan seller, or that there has been a breach of a representation and warranty related to a mortgage loan, which may lead to purchases of mortgage loans from pools earlier in their terms.

As directed by FHFA, we and Freddie Mac have modified the 2013 framework for conventional mortgage loans deposited into MBS pools with issue dates on or after July 1, 2014. Under the 2014 modified framework, a mortgage loan seller may obtain relief from repurchase requirements for mortgage loans through two different methods: relief based on an acceptable payment history and relief based on a Fannie Mae quality control review. For additional information, see "**FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties—*Methods for Mortgage Loan Sellers to Obtain Relief from Repurchase Requirements***."

Our decision to grant repurchase relief to a mortgage loan seller does not waive our right as issuer to remove a mortgage loan from a pool for a breach of representations and warranties. Thus, we could, at any time, still remove a mortgage loan from a pool if we determine that a representation and warranty has been breached, even if we have previously granted repurchase relief.

We are obligated to purchase mortgage loans from pools under certain other conditions, and permitted to purchase mortgage loans from pools under certain additional conditions, accelerating the rate of principal payment on your certificates.

We may purchase a mortgage loan from a pool for reasons other than the delinquency of the loan or a breach of a representation and warranty related to the loan. The trust agreement requires that we purchase a mortgage loan from a pool upon the occurrence of specified events and gives us the option to purchase a mortgage loan from a pool upon the occurrence of other specified events. These events are described in "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools**."

Loan-to-value ratios are based on the appraised values at origination of the mortgage loans and may not accurately reflect current market values.

In general, an appraisal of the value of a mortgaged property represents the analysis and opinion of the appraiser at the time the appraisal is prepared. As such, a different appraiser may not assign the mortgaged property the same value. In addition, the value assigned to a mortgaged property in an appraisal could be significantly higher than the amount that would be obtained from the sale of the property under a distressed or liquidation sale.

Moreover, property values may have declined in some real estate markets since the time the appraisals were obtained. It is therefore possible that the appraised values of the mortgaged properties may not accurately reflect the current market values of the properties. The current market values of the mortgaged properties could be lower, and in some cases significantly lower, than the values indicated in the appraisals obtained when the mortgage loans in your pool were originated and used in calculating the original loan-to-value ratios we disclose. Because appraisals may not accurately reflect the values or condition of the mortgaged properties and because property values may have declined since the time appraisals were obtained, the original loan-to-value ratios and the original combined loan-to-value ratios we disclose for the mortgage loans in your pool may be lower, in some cases significantly lower, than the loan-to-value ratios that would result if current appraised values of the mortgaged properties were used to determine loan-to-value ratios. You should determine how much to rely on the original loan-to-value ratios and the original combined loan-to-value ratios for the mortgage loans in your pool.

Credit scores may not accurately predict the likelihood that a mortgage loan will default.

The credit scores that we disclose are generated by models developed by third-party credit reporting organizations that analyze data on borrowers to predict a borrower's probability of default. A credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience and represents an opinion of the related credit reporting organization of a borrower's creditworthiness. A credit score purportedly measures the relative degree of default risk a borrower represents to a lender. However, credit scores are designed to indicate a level of default probability over a two-year period, which does not correspond to the life of most mortgage loans, and were not designed specifically for use in connection with mortgage loans. Therefore, credit scores do not consider particular mortgage loan characteristics that influence the probability of repayment by the borrower. You should determine how much to rely on the credit scores for the mortgage loans in your pool.

Borrowers may have, or may later incur, additional indebtedness secured by mortgaged properties that also secure the mortgage loans in your pool.

Some of the mortgage loans in your pool may be secured by mortgaged properties that were already subject to subordinate mortgage liens when the mortgage loans were originated and that were considered in the underwriting of those loans. In addition, borrowers may generally obtain additional mortgage loans secured by their respective properties at any time; we are not generally required to be notified when a borrower does so. Therefore, it is possible that borrowers have obtained additional post-origination subordinate mortgage loans. If a borrower later obtains a subordinate mortgage loan secured by a mortgaged property, there will be an increase in the combined loan-to-value ratio of the two mortgage loans and may be an increase in the risk that the value of the mortgaged property is less than the total indebtedness secured by the property. Subordinate mortgage liens may adversely affect default rates because the related borrowers must now make two or more monthly payments and the borrowers have less equity in the mortgaged properties. A default on a subordinate mortgage loan could cause the related mortgaged property to be foreclosed upon at a time when the first mortgage loan remains current as to scheduled payments. If this should occur, there may be a prepayment of the mortgage loan in the pool, accelerating the payment of principal on your certificates.

We have not independently verified the existence of subordinate liens on any mortgaged properties securing the mortgage loans in your pool. Any information we disclose concerning subordinate liens secured by mortgaged properties that also secure the mortgage loans is based solely on the representations made by the related mortgage loan sellers when we acquired the mortgage loans.

Mortgage loans made to certain borrowers may present a greater risk of default.

Defaults on certain mortgage loans in a pool may be higher as a result of the circumstances of the related borrowers. Some borrowers may have less regular or predictable income than do other borrowers, which may increase the risk that these borrowers do not make timely payments. In addition, borrowers who are significantly increasing the amount of their housing payments may find it difficult to adjust to the higher required payments even though their debt-to-income ratios may be within the guidelines. As a result of their circumstances, these borrowers may present a greater risk of default on their mortgage loans.

Pools containing mortgage loans secured by second homes or investment properties may have higher rates of prepayment due to default than otherwise comparable pools containing mortgage loans secured by primary residences.

Mortgage loans secured by properties acquired as second homes or investments may present a greater risk that the borrowers will stop making monthly payments if the borrowers' financial conditions deteriorate and may have a higher frequency of delinquencies or defaults than mortgage loans secured by properties that are owner-occupied. A borrower who does not reside in the related mortgaged property may be more likely to abandon the mortgaged property. This risk may be especially pronounced for borrowers with mortgage loans on more than two properties. In addition, income expected to be generated from an investment property may have been considered for underwriting purposes in addition to the income of the borrower from other sources. If this income does not materialize, it is possible the borrower would not have sufficient resources to make payments on the mortgage loan.

Pools containing mortgage loans secured by interests in cooperative housing corporations may have higher rates of prepayment due to default than otherwise comparable pools containing mortgage loans secured by other types of property.

Due to the structure of cooperative housing corporations, mortgage loans secured by interests in cooperative housing corporations ("cooperative share loans") may present a greater risk that borrowers will default on their mortgage loans as compared with mortgage loans secured by other types of property. A cooperative share loan is secured by two types of collateral: the stock or certificate of membership (or other similar evidence of ownership) issued by the cooperative housing corporation to the borrower, and the proprietary lease, occupancy agreement or other similar agreement granting the borrower the right to occupy a particular dwelling unit in the cooperative housing project owned by the cooperative housing corporation. The borrower's ownership interest and occupancy rights are subject to restrictions on sale or transfer.

In addition to making the monthly mortgage payment, the borrower generally must pay a proportional share of real estate taxes on the cooperative housing project and of payments on any blanket mortgage loan made to the cooperative housing corporation and secured by the cooperative housing project. If the borrower fails to pay as required, the cooperative housing corporation can terminate the borrower's occupancy rights. In addition, the borrower's occupancy rights are subordinate to the lien of any blanket mortgage loan on the housing project. If the cooperative housing corporation defaults on its blanket mortgage loan, the holder of the blanket mortgage loan (which may be Fannie Mae) could foreclose on the housing project and terminate the occupancy rights of the borrower. If the borrower's occupancy rights are terminated, the cooperative share loan would default.

In many cases, a single lender will have made cooperative share loans to several residents of the same cooperative housing project. If all of those loans are included in the same pool, holders of certificates backed by those loans would be significantly at risk for multiple prepayments resulting from defaults on the cooperative share loans caused by a default by the cooperative housing corporation under its blanket mortgage loan.

Pools containing mortgage loans secured by manufactured homes may have higher rates of prepayment due to default than otherwise comparable pools containing mortgage loans secured by other types of property.

Based on the historical performance of mortgage loans secured by manufactured homes, it is possible that these mortgage loans may present a greater risk that borrowers will default on the loans as compared with mortgage loans secured by non-manufactured homes.

ARM Pools

If you hold certificates backed by pools containing adjustable-rate mortgage loans, your yield will be affected by changes in the index used to set interest rates on the loans and by limits on interest rate changes.

Adjustable-rate mortgage loans ("ARM loans") bear interest at rates that change periodically in response to changes in an index. Some indices respond more quickly to changes in market interest rates than do other indices. As a result, a change in the index value will not necessarily cause an immediate change in the pool accrual rate. On the issue date of an adjustable-rate pool, we expect all of the ARM loans in the pool to have the same index and to adjust with the same frequency (quarterly, semiannually, annually, etc.). On occasion, due to delivery errors, one or more ARM loans in a pool may have a different index. In addition, the ARM loans in an adjustable-rate pool may vary with respect to their mortgage margins and the dates of their interest rate changes. As a consequence, ARM loans in a single pool may have different interest rates. If the interest rates on ARM loans in the pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index.

In addition, the interest rate on many ARM loans changes based on the value of the applicable index at a date that is days or weeks before the effective date of the change in an ARM loan's interest rate. As a result, in a time of rapidly increasing or decreasing market interest rates, the interest rates on the ARM loans in your pool may not reflect current market interest rates. Moreover, many ARM loans have caps and floors that set the maximum and minimum size of periodic interest rate changes and may have lifetime caps and floors that set the maximum and minimum interest rates that ARM loans may bear over their lifetimes. Because holders of certificates backed by pools of ARM loans receive interest at a rate that is the weighted average of the interest rates on the ARM loans in the pool, net of servicing and guaranty fees, any or all of these factors will affect the yield on your certificates.

It is possible that ARM loans in your pool may have interest rates that adjust in response to changes in an index that is no longer published or otherwise becomes unavailable. If that should occur, most mortgage notes for ARM loans provide that we will select a new index that is based upon comparable information.

Pools containing ARM loans that may be converted into fixed-rate loans may have higher rates of prepayment, accelerating the rate of principal payment on your certificates.

Certain ARM loans permit a borrower to convert the ARM loan to a fixed-rate loan during a specified period of time. The trust documents require us to purchase the mortgage loan from the pool no later than the calendar month before the mortgage loan begins to accrue interest at the new fixed rate. The purchase price will be the ARM loan's stated principal balance plus one month's interest at the then-current pool accrual rate, which will be passed through to certificateholders on the distribution date in the month following the purchase. The purchase of ARM loans, therefore, will accelerate the rate of principal payment on your certificates. As a result, the weighted average life of a pool of convertible ARM loans may be significantly shorter than the weighted average life of an otherwise comparable pool of non-convertible ARM loans, which may adversely affect your yield. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Convertible ARM Loans***."

A disproportionate incidence of prepayments and purchases from a pool containing ARM loans with different interest rates will affect your yield.

Holders of certificates in pools of ARM loans receive interest at a rate equal to the weighted average of the ARM loan rates, net of guaranty and servicing fees. The weighted average will change whenever an ARM loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. For that reason, prepayments and purchases of loans from a pool that includes ARM loans with a variety of interest rates may increase or decrease your effective yield.

Refinancing of Loans; Sale of Property

Prevailing interest rates may decline, resulting in more borrowers prepaying their mortgage loans and refinancing at lower rates, accelerating the rate of principal payment on your certificates.

If prevailing interest rates decline and borrowers are able to obtain new mortgage loans at lower rates, they are more likely to refinance their existing mortgage loans. This may be especially true for borrowers that have substantial equity in their homes as a refinancing allows them to take out cash and then refinance their existing mortgage loans into loans with higher principal balances. The mortgage loans may or may not contain prepayment premiums that discourage borrowers from prepaying. As a result, the mortgage loans in your pool may, on average, prepay more quickly than you expect, causing you to receive payments of principal on your certificates more quickly than you expect. Moreover, your certificates may remain outstanding for a shorter period of time than you expect, which may occur at a time when reinvestment rates are lower.

Certain actions taken by the federal government may cause interest rates to decline or remain low. In addition, the federal Making Home Affordable Program allows qualified borrowers to refinance mortgage loans that we currently own or guarantee into new mortgage loans and allows existing mortgage insurance to be carried forward to the new mortgage loan. Moreover, under the Home Affordable Refinance Program ("HARP"), which is offered under the Making Home Affordable Program, qualified borrowers may be allowed to refinance mortgage loans that were closed on or before May 31, 2009 into new mortgage loans even if the principal balances of the original mortgage loans significantly exceed the current values of the related mortgaged properties. See "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Mortgage Loans Eligible for Refinancing.***" The availability of these programs may increase the number of refinancings of mortgage loans in your pool relative to the number of refinancings that would occur if the programs did not exist.

Prevailing interest rates may rise or capital could continue to be less available, resulting in fewer borrowers refinancing their mortgage loans, slowing the rate of principal payment on your certificates.

If prevailing interest rates rise and borrowers are less able to obtain new mortgage loans at lower rates or to obtain mortgage loans at all, they may be less likely to refinance their existing mortgage loans. If borrowers do not refinance their mortgage loans, the loans in your pool may, on average, prepay more slowly than you expect, causing you to receive payments of principal on your certificates more slowly than you expect. Moreover, this may occur at a time when reinvestment rates are higher.

In addition, efforts to impose stricter mortgage qualifications for borrowers or to reduce the presence of Fannie Mae or Freddie Mac in mortgage loan financing could lead to fewer refinancing alternatives for borrowers. The Consumer Financial Protection Bureau published a rule, effective on January 10, 2014, that generally requires creditors to make a reasonable, good faith determination of a borrower's ability to repay a mortgage loan and establishes certain protection from liability under the rule for qualified mortgages. The rule, which defines "qualified mortgage," may reduce the availability of mortgage loans in the future that do not meet the criteria of a qualified mortgage and may adversely affect the ability of borrowers to refinance the mortgage loans in a pool. These acts may reduce alternatives for borrowers seeking to refinance their mortgage loans and may result in higher rates of delinquencies on those mortgage loans.

Pools containing mortgage loans that are cash-out refinance transactions may have higher rates of prepayment due to default than otherwise comparable pools containing mortgage loans originated for other purposes.

When a borrower refinances a mortgage loan and pays off existing mortgage loans, the borrower may or may not obtain additional funds. In a cash-out refinance transaction, the borrower obtains additional funds that may be used to pay off subordinate mortgage loans or used for any other purpose. In other refinance transactions, the borrower receives no additional funds or receives funds that may be used in limited amounts for certain specified purposes. Mortgage loans resulting from cash-out refinancings may present a higher risk of default than mortgage loans resulting from refinance transactions in which the borrower does not receive additional funds.

Mortgage loans with loan-to-value ratios greater than 80% may have different prepayment and default characteristics than conforming mortgage loans generally.

A pool may contain mortgage loans with loan-to-value ratios greater than 80% (an ">80% LTV loan"). Although information is limited regarding the default and prepayment rates for >80% LTV loans, it is possible that mortgage loans of this type may experience rates of default and voluntary prepayment that differ from otherwise comparable mortgage loans with lower loan-to-value ratios. In general, >80% LTV loans may be viewed as posing a greater risk of default than loans with lower loan-to-value ratios because borrowers may decide that it is not in their economic interest to continue making monthly payments. To the extent >80% LTV loans go into default, certificates backed by >80% LTV loans may be paid more quickly than expected, reducing the weighted average life of your certificates and adversely affecting your yield.

If an >80% LTV loan was refinanced, the refinanced mortgage loan is likely to have a lower interest rate than the predecessor mortgage loan, which may make it easier for the related borrower to continue to make monthly principal and interest payments. In that case, certificates backed by >80% LTV loans may be paid more slowly than expected, extending the weighted average life of your certificates and adversely affecting your yield.

Loan-to-value ratios for mortgage loans in your pool may be higher in the future than at the time the loans were originated, resulting in fewer borrowers refinancing their mortgage loans and slowing the rate of principal payment on your certificates.

The loan-to-value ratio disclosed in a prospectus supplement generally is based on the value of the related mortgaged property at the time the mortgage loan was originated. A decline in the value of the mortgaged property after that time will result in a higher loan-to-value ratio for that mortgage loan, which may make refinancing of the loan more difficult for the borrower, especially if the mortgage loan is not eligible for refinancing under HARP. Thus, these mortgage loans on average may prepay more slowly than you expect.

Mortgage loans with loan-to-value ratios greater than 125% may have different prepayment and default characteristics than conforming mortgage loans generally.

A pool may contain mortgage loans with current loan-to-value ratios greater than 125% ("very high LTV loans"). Although information is limited regarding the default and prepayment rates for very high LTV loans, it is possible that mortgage loans of this type may experience rates of default and voluntary prepayment that differ from otherwise comparable mortgage loans with lower loan-to-value ratios. In general, very high LTV loans may be viewed as posing a greater risk of default than loans with lower loan-to-value ratios because borrowers may decide that it is not in their economic interest to continue making monthly payments. To the extent very high LTV loans go into default, certificates backed by very high LTV loans may be paid more quickly than expected, reducing the weighted average life of your certificates and adversely affecting your yield.

In addition, if a very high LTV loan has been refinanced, the refinanced mortgage loan is likely to have a lower interest rate than the predecessor mortgage loan, which may make it easier for the related borrower to continue to make monthly principal and interest payments. In that case, certificates backed by very high LTV loans may be paid more slowly than expected, extending the weighted average life of your certificates and may adversely affect your yield.

Your pool may include mortgage loans that are eligible for refinancing under HARP or other refinancing programs offered through us. If any of the eligible mortgage loans are refinanced, you will receive an early payment of principal on your certificates.

HARP facilitates the refinancing of >80% LTV loans, including very high LTV loans. (We sometimes refer to >80% LTV loans and very high LTV loans together as "high LTV loans.") To qualify for a HARP refinancing, as implemented by Fannie Mae, a mortgaged property may be owner-occupied or non-owner-occupied, and the borrower must be current in its monthly payments and have an acceptable payment history over the most recent 12-month period. In addition, the original mortgage loan must be a first-lien, conventional mortgage loan that was closed on or before May 31, 2009 and that satisfies certain additional criteria. To be eligible for a HARP refinancing mortgage loan, a borrower must apply for the loan by December 31, 2015. For a further description of HARP, see "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans**." Our Refi Plus financing program allows the refinancing of mortgage loans with loan-to-value ratios less than or equal to 80%.

As part of the refinancing efforts required by HARP, our mortgage seller/servicers are permitted to solicit refinancings of eligible borrowers with high LTV loans that we own or guarantee. These solicitations may be directed to eligible borrowers even if the related seller/servicers are not soliciting refinancings from borrowers more generally so long as they are also soliciting eligible borrowers whose mortgage loans are owned or guaranteed by Freddie Mac (provided that the seller/servicer also services loans owned or guaranteed by Freddie Mac).

If your pool includes high LTV loans that were closed before May 31, 2009, and any of these loans are refinanced, you will receive an early payment of principal on your certificates, the weighted average life of your certificates may be reduced and your yield may be adversely affected.

"Jumbo-conforming" mortgage loans, which have original principal balances that exceed our traditional conforming loan limits, may prepay at different rates than conforming balance mortgage loans generally.

Certain pools include "jumbo-conforming" mortgage loans. A "jumbo-conforming mortgage loan" is a conventional mortgage loan that (i) was originated on or after July 1, 2007 but not later than December 31, 2008 and (ii) had an original principal balance in excess of our general conforming loan limit at the time we purchased the loan. There is limited historical performance data regarding prepayment rates for jumbo-conforming mortgage loans.

If prevailing mortgage rates decline, borrowers with jumbo-conforming mortgage loans may be more likely to refinance their mortgage loans than borrowers with conforming balance mortgage loans. This may be due to several factors, including that a relatively small reduction in the interest rate of a jumbo-conforming mortgage loan can have a greater impact on the borrower's monthly payment than a similar interest rate change for a conforming balance loan and that the closing costs for the refinancing can represent a smaller percentage of the principal balance of the new mortgage loan. In addition, jumbo-conforming mortgage loans tend to be concentrated in certain geographic areas, which may experience relatively high rates of default in the case of adverse economic conditions. Defaults on jumbo-conforming mortgage loans will result in the distribution to certificateholders of larger principal prepayments than would result from defaults on conforming balance mortgage loans.

On the other hand, because our authority to purchase certain jumbo-conforming mortgage loans has expired and our authority to purchase other jumbo-conforming mortgage loans could be withdrawn, borrowers with jumbo-conforming mortgage loans may find it more difficult to refinance these loans. In that case, borrowers with jumbo-conforming mortgage loans may be less likely to refinance their mortgage loans than borrowers with conforming balance mortgage loans. See "**THE MORTGAGE LOANS—Special Feature Mortgage Loans—*Mortgage Loans with Original Principal Balances Exceeding Our Traditional Conforming Loan Limits***."

Hybrid ARM loans with long initial fixed-rate periods may be more likely to be refinanced or become delinquent than other mortgage loans.

Hybrid ARM loans that have long initial fixed-rate periods have the potential for a significant rate increase at the first interest rate change date. Borrowers may be more likely to refinance hybrid ARM loans before a rate increase becomes effective. If a borrower is unable to refinance a hybrid ARM loan and interest rates rise substantially after the initial fixed-rate period, the borrower may find it increasingly difficult to remain current in its scheduled monthly payments following the increase in the monthly payment amount.

Fixed-rate and ARM loans with long initial interest-only payment periods may be more likely to be refinanced or become delinquent than other mortgage loans.

Certain fixed-rate and ARM loans have scheduled monthly payments that consist only of accrued interest for a long period after origination. After the interest-only period, the scheduled monthly payments on those mortgage loans are increased to amounts sufficient to cover accrued interest and to fully amortize the principal balances of the mortgage loans by their respective maturity dates. In particular, for certain ARM loans, borrowers may experience a substantial increase in payments if the first change to the interest rate and payment amount coincides with the end of the interest-only period on that mortgage loan. As a result, borrowers may be more likely to refinance those mortgage loans before the scheduled monthly payment increase becomes effective. If a borrower is unable to refinance such a mortgage loan, the borrower may find it increasingly difficult to remain current in its scheduled monthly payments following the increase in the monthly payment amount.

The mortgage origination industry may change its underwriting requirements, procedures and prices for refinancing mortgage loans, either accelerating or slowing the rate of principal payment on your certificates.

Mortgage originators continually review and revise procedures for processing refinance loans. Sometimes these changes occur with our cooperation. From time to time, mortgage originators may tighten or loosen underwriting guidelines, making it potentially more difficult and more expensive or easier and less costly for borrowers to refinance their mortgage loans. An increase in the refinancing of mortgage loans in your pool will accelerate the rate of principal payments on your certificates. A decrease in the refinancing of mortgage loans in your pool will slow the rate of principal payments on your certificates.

A mortgage loan may be paid in full upon the sale of the related mortgaged property, accelerating the rate of principal payment on your certificates.

If a mortgaged property is sold, the new owner may be unable to assume the existing mortgage loan either because the mortgage loan contains a due-on-sale clause or because the new owner is unable to satisfy the requirements for assumption. In that case, the borrower may pay the mortgage loan in full, along with any required prepayment premium and, accordingly, you may receive payments of principal on your certificates more quickly than you expect.

RISKS RELATING TO LIQUIDITY

The "Single Security" initiative proposed by FHFA may adversely affect the liquidity or market value of your certificates.

On August 12, 2014, FHFA announced its Single Security proposal (the "Proposal") as part of its 2014 Strategic Plan for the conservatorships of Fannie Mae and Freddie Mac. The stated objective is to develop "a single Enterprise mortgage-backed security" that is fungible with legacy Fannie Mae MBS and Freddie Mac Participation Certificates (PCs) and thus to maximize liquidity for both Fannie Mae and Freddie Mac mortgage-backed securities in the "to-be-announced" or TBA market. Under the multi-year initiative, each Single Security for a first-level securitization would be issued and guaranteed by either Fannie Mae or Freddie Mac and would be backed by loans acquired exclusively by either Fannie Mae or Freddie Mac, respectively. The securities themselves could then be pooled and "re-securitized" in a second-level securitization by either Fannie Mae or Freddie Mac without limitation.

In general, the Proposal would encompass many of the current pooling features of Fannie Mae MBS and most of the current disclosure framework of Freddie Mac PCs. Development of a Single Security could reduce the trading advantage that is currently associated with Fannie Mae MBS relative to Freddie Mac PCs. If this were to occur, it could negatively impact Fannie Mae's ability to compete for mortgage assets in the secondary market, and therefore could adversely affect Fannie Mae's results of operations. It is also possible that market uncertainty surrounding the implementation and overall impact of the Proposal will itself contribute to declines in liquidity or market values for legacy Fannie Mae MBS (including the certificates offered under this prospectus). Finally, the 2014 Strategic Plan calls for Fannie Mae and Freddie Mac to "[c]ontinue to explore other shorter-term changes that may improve market liquidity in the Agency MBS market." It is possible that implementation of any such changes may lead to reduced liquidity or market values for Fannie Mae MBS (including the certificates offered under this prospectus). Investors should take into account FHFA's stated commitment to implementation of the Proposal (subject to future modifications) as part of its multi-year initiative and the related risk of reduced market liquidity and declining market values for legacy Fannie Mae MBS.

There may be no market for the certificates, and we cannot assure you that a market will develop and continue.

We cannot be sure that each new issuance of certificates, when issued, will have a ready market, or, if a market does develop, that the market will remain active during the entire term for which your certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the certificates. Therefore, it is possible that if you wish to sell your certificates in the future, you may have difficulty finding potential purchasers.

Some of the factors that may affect the resale of your certificates include the following:

- our financial condition and rating;
- our future structure, organization, and the level of government support for the company;
- whether we are in conservatorship or receivership;
- any increase or decrease in the level of governmental commitments to engage in market purchases of our certificates;
- the method, frequency and complexity of calculating principal or interest on the mortgage loans or the certificates;
- the age of the mortgage loans in the pool;
- the outstanding principal balance of the mortgage loans in the pool;
- the prepayment features or other characteristics of the mortgage loans in the pool;
- the availability of current information about the mortgage loans in the pool;
- the outstanding principal amount of certificates of that issuance and other issuances with similar features offered for resale from time to time;
- the minimum denominations of the certificates;
- any significant reduction in our securitization volume due to a decline in mortgage loan originations by our principal lenders and mortgage loan sellers that have experienced liquidity or other major financial difficulties;
- any legal restriction or tax treatment that limits demand for the certificates;
- the availability of comparable securities;
- market uncertainty;
- the level of interest rates generally, the volatility with which prevailing interest rates are changing, and the direction in which interest rates are, or appear to be, trending;
- the financial condition and rating of the mortgage loan seller and the direct servicer of the mortgage loans backing the certificates.

Basel III and U.S. capital and liquidity rules could materially and adversely affect demand by banks for our debt and mortgage-related securities in the future and otherwise could affect the future business practices of our customers and counterparties.

Basel III is a set of revised global regulatory standards developed by the Basel Committee on Banking Supervision establishing minimum bank capital and liquidity requirements. In October 2013, U.S. banking regulators issued a proposed rule setting minimum liquidity standards for large U.S. banks generally in accordance with Basel III standards. Under the proposed rule, U.S. banks subject to the standards would be required to hold a minimum level of high-quality liquid assets based on projections of their cash needs over a 30-day stress scenario. The debt and mortgage-related securities of Fannie Mae, Freddie Mac and the other GSEs, including the certificates offered by this prospectus, would be permitted only to count toward up to 40% of the banks' high-quality liquid asset requirement, and then only after applying a 15% discount to the market value of those securities.

U.S. banks currently hold large amounts of our outstanding debt and Fannie Mae mortgage-related securities, and current U.S. banking regulations do not limit the amount of these securities that banks may count toward their liquidity requirements. Accordingly, if this rule is adopted as currently proposed, it may materially adversely affect future demand by banks for Fannie Mae debt securities and mortgage-related securities, which could adversely affect the price of those securities, including the certificates offered by this prospectus, and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

In addition, Basel III's revisions to international capital requirements could limit some lenders' ability to count the value of their rights to service mortgage loans as assets in 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, including reducing the amount of loans they service or exiting servicing altogether.

The limit on and subsequent required reduction in our mortgage portfolio assets may adversely affect the liquidity of your certificates.

Our mortgage portfolio assets include a substantial amount of our mortgage-backed certificates. We have traditionally been an active purchaser of our mortgage-backed certificates for a number of reasons, including helping to provide market liquidity for the certificates. The limit on and subsequent required reduction in our mortgage portfolio assets may restrict our ability to purchase our mortgage-backed certificates, which may impair the liquidity of the certificates offered by this prospectus. See our most recent Form 10-K for a description of the required limit on and reduction in our mortgage assets.

There may be restrictions on your ability to include your certificate in another Fannie Mae securitization.

Certificateholders sometimes choose to exchange their certificates representing interests in different pools for a single Fannie Mae mortgage-backed security backed by those certificates, which is generally referred to as a resecuritization. If we discover discrepancies in the data, or identify legal or other issues, related to a pool or to one or more of the mortgage loans backing a pool that cannot be resolved promptly, certificates for that pool or backed by those mortgage loans (including the certificates offered by this prospectus) may be restricted from resecuritization until the data discrepancies or issues have been resolved. While a certificate is so restricted, it is still eligible to be sold, transferred or otherwise hypothecated; it cannot, however, be resecuritized into another Fannie Mae mortgage-backed security. A list of pools whose certificates are restricted from resecuritization is available by clicking “Securities Ineligible for Resecuritization” in the “Data Collections” section on the Single-Family MBS Web page on our Web site. The list is updated monthly. If the data discrepancies or issues are resolved, the certificates will be removed from the restricted certificate list and become eligible for resecuritizations.

RISKS RELATING TO CREDIT

Fannie Mae Credit Factors

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

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

If we failed to pay under our guaranty, the amount distributed to certificateholders could be reduced and the timing of distributions could be affected.

Borrowers may fail to make timely payments on the underlying mortgage loans. In addition, an entity that is under contract to perform servicing functions for us (a “direct servicer”) may fail to remit borrower payments to us. In either case, we are responsible for making payments under our guaranty. However, we could fail to make the payments required under our guaranty to a trust if (i) our financial condition prevented us from fulfilling our guaranty obligations with respect to the certificates, or (ii) we were placed into a new conservatorship or into receivership and could not or did not fulfill our guaranty obligations. In that case, certificateholders would receive from the trust only the amounts paid on the underlying mortgage loans, which are generally limited to borrower payments and other recoveries on the loans. As a result, delinquencies and defaults on the underlying mortgage loans or a direct servicer's failure to remit borrower payments to the trust would adversely affect the amounts that certificateholders received each month.

Our dividend obligations on the senior preferred stock result in our retaining a limited and decreasing amount of our earnings each year until 2018. Beginning in 2018, we will no longer retain any of our earnings.

In compliance with our dividend obligation to the U.S. Department of the Treasury ("Treasury"), we will pay Treasury each quarter the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. This capital reserve amount is $2.4 billion for each quarter of 2014 and decreases by $600 million annually until it reaches zero in 2018. As a result, our dividend obligations will result in our retaining a limited and decreasing amount of our earnings each year until 2018. Beginning in 2018, we will no longer retain any of our earnings, as the entire amount of our net worth will be paid to Treasury as dividends on the senior preferred stock.

Because we are permitted to retain only a limited and decreasing amount of capital reserves through 2017, we may not have sufficient reserves to avoid a net worth deficit if we experience a comprehensive loss in a future quarter. In addition, beginning in 2018, we are not permitted to retain any capital reserves against losses in later quarters. Thus, if we have a comprehensive loss for a quarter, we will also have a net worth deficit for that quarter. For any quarter for which we have a net worth deficit, we will be required to draw funds from Treasury under the senior preferred stock purchase agreement to avoid being placed into receivership.

As conservator, the Federal Housing Finance Agency ("FHFA") has certain rights to transfer our assets and liabilities, including our guaranty.

For so long as we remain in the current conservatorship, FHFA, as conservator, has the right to transfer or sell any of our assets or liabilities, including our guaranty obligations, without any approval, assignment or consent from us or any other party. However, during the current conservatorship, FHFA has no authority to repudiate any contracts entered into after we were placed into conservatorship, including our guaranty. related to the certificates we issue during the current conservatorship. The Federal Housing Finance Regulatory Reform Act of 2008 (the "2008 Reform Act") does not restrict the rights of holders of certificates issued during the current conservatorship.

If FHFA were to place us into receivership directly from the current conservatorship, or if we emerge from conservatorship and at a later date FHFA were to place us into a new conservatorship or into receivership, FHFA would have certain rights to transfer our assets and liabilities and to repudiate our existing contracts.

If FHFA were to place us into receivership directly from the current conservatorship, or if we emerge from the current conservatorship and at a later date FHFA were to place us into a new conservatorship or into receivership, FHFA would have all of the authority of a new conservator or a receiver, which would allow it to exercise certain powers that could adversely affect certificateholders, as described below.

Transfer of Guaranty Obligations. FHFA would have the right to transfer or sell any of our assets or liabilities, including our guaranty obligations, without any approval, assignment or consent from us or any other party. If FHFA, as conservator or 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 each month.

Repudiation of Contracts. Under the circumstances described in the next sentence, FHFA could repudiate any contract entered into by us before it was appointed as a new conservator or as receiver, including our guaranty obligations to the trusts described in this prospectus. FHFA may repudiate a contract, including our guaranty, if it 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 a new conservator or receiver.

If FHFA, as a new conservator or as receiver, were to repudiate our guaranty obligations, the conservatorship or receivership estate would be liable for damages as of the date of the new conservatorship or the receivership under the 2008 Reform Act. However, any such liability could be satisfied only to the extent that our assets were available for that purpose. Thereafter, certificateholders would receive from the related trust only the amounts paid on the underlying mortgage loans, which are generally limited to borrower payments and other recoveries on the loans. As a result, delinquencies and defaults on the underlying mortgage loans or a primary servicer's failure to remit borrower payments to the trust would adversely affect the amounts that certificateholders would receive each month. In addition, trust administration fees would be paid from mortgage loan payments before any distributions would be made to certificateholders. As a result, any damages paid as the result of the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

Rights of Certificateholders. Holders of certificates issued before and during the current conservatorship, including the certificates offered by this prospectus, are granted certain rights under the trust documents (as defined under "**DESCRIPTION OF THE CERTIFICATES**"). If we are placed into a new conservatorship or into a receivership, however, these rights may not be enforceable against FHFA or enforcement of those rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a new conservator or a receiver, certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of certificateholders consents. Nevertheless, 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 new conservator or receiver has been appointed.

If we are placed into a new conservatorship or 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. However, the total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. See "**FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement**."

Seller Credit Factors

If a mortgage loan seller becomes insolvent, the certificateholders' interests in the mortgage loans could be affected.

In certain cases, we may permit the seller of the mortgage loans or an affiliate of the seller to act as our document custodian. Upon a bankruptcy or receivership of the mortgage loan seller or its affiliate that acts as our custodian, the mortgage loans may be exposed to the claims of other creditors of the seller. If the mortgage loan seller was also the direct servicer of the mortgage loans and, as a result of such claims, was unable to remit part or all of the amounts received on the mortgage loans, we would make the required payments to certificateholders under our guaranty. Additionally, in the event of a bankruptcy or receivership of a mortgage loan seller, a court could determine that the mortgage loans were not sold to us but instead were pledged to us to secure a financing. Courts may also deny our standing to enforce delinquent mortgage loans if we cannot adequately prove our ownership. In either instance, if the mortgage loan seller was unable to remit part or all of the amounts received on the mortgage loans, we would make payments in the amount of any deficiency. If we fail to pay pursuant to our guaranty, however, the amount distributed to certificateholders could be reduced. See "**THE MORTGAGE LOAN POOLS—Assignment of Mortgage Loans; Delivery and Custody of Mortgage Loan Documents**."

Servicer Credit Factors

If a direct servicer begins experiencing financial difficulties or becomes insolvent, the collections on the mortgage loans could be affected.

If a direct servicer experiences financial difficulties or becomes insolvent, its ability to effectively service mortgage loans may become impaired as its focus is more directed toward rebuilding financial strength through measures such as staff reductions. In some cases it may become necessary to transfer servicing to another more effective servicer. Less robust servicing practices before, during, or after the transition to a new servicer can exacerbate mortgage loan delinquencies and borrower defaults. Although our guaranty of timely payment of principal and interest covers borrower delinquencies and defaults, an increase in borrower delinquencies and defaults could result in acceleration of prepayments on your certificates, if we decide to exercise our option to purchase delinquent mortgage loans from a pool. See "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools**."

FANNIE MAE

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-backed assets are purchased and sold. Our charter does not permit us to originate loans and lend money directly to consumers in the primary mortgage market. Our most significant activities are securitizing mortgage loans originated by lenders into Fannie Mae mortgage-backed securities and purchasing mortgage loans and mortgage-backed securities for our mortgage portfolio. Fannie Mae has been securitizing mortgage loans since 1981 and has issued over $8.3 trillion of mortgage-related securities during that time. We have been the largest issuer of mortgage-related securities since 1990. We serve as the trustee of all trusts for our mortgage-related securities. See "**THE TRUST DOCUMENTS**" for further information about our role as trustee.

We obtain funds to purchase mortgage-backed assets for our mortgage portfolio by issuing a variety of debt securities in the domestic and international capital markets. We also make other investments that increase the supply of affordable housing.

As discussed below, we are currently in conservatorship.

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 July 2008, assuming the duties of our former safety and soundness regulator, the Office of Federal Housing Enterprise Oversight, and our former mission regulator, the U.S. Department of Housing and Urban Development ("HUD"). HUD remains our regulator with respect to fair lending matters.

On September 6, 2008, the Director of FHFA appointed FHFA as our conservator pursuant to its authority under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the 2008 Reform Act. Upon its appointment, FHFA immediately succeeded to all of the rights, titles, powers and privileges of Fannie Mae and those of any stockholder, officer, or director of Fannie Mae with respect to us and our assets. The conservatorship is a statutory process designed to preserve and conserve our 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 our company, including how long we will continue to exist, the extent of our role in the market and what form we will have. For more information on the risks to our business relating to the conservatorship and uncertainties regarding the future of our company and business, see "**RISK FACTORS**" in our most recent Form 10-K.

In September 2008, Fannie Mae, through FHFA as our conservator, entered into two agreements with Treasury. The first agreement is the senior preferred stock purchase agreement, under which we issued one million shares of senior preferred stock to Treasury and which provided us with Treasury's commitment to provide us with funding, under certain conditions, to eliminate deficiencies in our net worth (the "commitment"). The senior preferred stock purchase agreement was amended and restated on September 26, 2008. The amended and restated agreement was later amended on May 6, 2009, December 24, 2009 and August 17, 2012 (as amended, the "senior preferred stock purchase agreement"). We generally may draw funds under the commitment on a quarterly basis when our total liabilities exceed our total assets on our consolidated balance sheet prepared in accordance with generally accepted accounting principles ("GAAP") as of the end of the preceding quarter.

As of January 1, 2013, the amount of dividends payable on the senior preferred stock for a dividend period is determined based on our net worth as of the end of the immediately preceding fiscal quarter, less an applicable capital reserve. The capital reserve is $2.4 billion for each quarter of 2014, and will decline by $600 million per year until it reaches zero on January 1, 2018. For each dividend period beginning in 2018, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter. Our net worth, for purposes of this dividend calculation, is the amount by which our total assets (with some exclusions) exceed our total liabilities (with some exclusions) as reflected on our balance sheet prepared in accordance with GAAP. If we do not have a positive net worth as of the end of a fiscal quarter, or if our net worth does not exceed the applicable capital reserve at the end of a fiscal quarter, then no dividend will accrue or be payable with regard to the senior preferred stock for the applicable dividend period.

While we had a positive net worth as of December 31, 2013, in some future periods we could have a net worth deficit. If so, we would be required to obtain funding from Treasury pursuant to the funding commitment. The amount of remaining available funding under the commitment is $117.6 billion as of December 31, 2013.

The senior preferred stock purchase agreement provides that the Treasury's funding commitment will terminate under any of the following circumstances:

- the completion of our liquidation and fulfillment of Treasury's obligations under its funding commitment at that time,
- the payment in full of, or reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guaranty obligations), or
- the funding by Treasury of the maximum amount that may be funded under the agreement.

In addition, Treasury may terminate its funding commitment and declare the senior preferred stock purchase agreement null and void if a court vacates, modifies, amends, conditions, enjoins, stays or otherwise affects the appointment of the conservator or otherwise curtails the conservator's powers. Treasury may not terminate its funding commitment under the agreement solely by reason of our being in conservatorship, receivership or other insolvency proceeding, or due to our financial condition or any adverse change in our financial condition.

The senior preferred stock purchase agreement provides that most provisions of the agreement may be waived or amended by mutual written agreement of the parties; however, no waiver or amendment of the agreement is permitted that would decrease Treasury's aggregate funding commitment or add conditions to Treasury's funding commitment if the waiver or amendment would adversely affect in any material respect the holders of our debt securities or guaranteed Fannie Mae MBS.

The other agreement with Treasury 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 senior preferred stock purchase agreement and the warrant contain covenants that significantly restrict our operations and that are described in our most recent Form 10-K.

We continue to rely on support from Treasury to eliminate any net worth deficits that we may experience in the future, which would otherwise trigger our being placed into receivership. Based on consideration of all the relevant conditions and events affecting our operations, including our reliance on the U.S. government, we continue to operate as a going concern and in accordance with our delegation of authority from FHFA. We remain liable for all of our obligations, including our guaranty obligations, associated with the certificates and other mortgage-backed securities issued by us. The senior preferred stock purchase agreement is intended to enhance our ability to meet our obligations. Certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. See "**—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement**."

Possibility of Future Receivership

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 the filing with the SEC of our annual report on Form 10-K or our quarterly report on Form 10-Q, as applicable. Although Treasury committed to providing us with funds in accordance with the terms of the senior preferred stock purchase agreement, Treasury may not provide these funds to us within the required 60 days if it has exhausted its borrowing authority or if there is a government shutdown. 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. The appointment of FHFA as our receiver would not only grant FHFA the powers that it currently has as our conservator but would also terminate all rights and claims that certificateholders may have against our assets or under our charter arising from their status as certificateholders, other than their right to payment, resolution or other satisfaction of their claims as permitted under 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.

Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement

Certificateholders are granted certain rights under the trust documents (as defined below) if a guarantor event of default occurs. See "**THE TRUST DOCUMENTS—Certificateholders' Rights Upon a Guarantor Event of Default**." Moreover, under the senior preferred stock purchase agreement, certificateholders are given certain limited rights against Treasury if (i) we default on our guaranty obligations, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the conservator are not diligently pursuing remedies in respect of that failure.

In that case, the holders of the affected certificates may file a claim for relief in the U.S. Court of Federal Claims, requiring Treasury to fund up to the lesser of

- the amount necessary to cure the payment default, ***or***
- the "available amount" under the agreement as of the last day of the immediately preceding fiscal quarter.

USE OF PROCEEDS

We usually issue certificates in swap transactions, in which the certificates are issued in exchange for the mortgage loans in the pool that backs the certificates. These mortgage loans may be newly originated loans or seasoned loans. In some instances, we may issue certificates backed by pools of mortgage loans that we already own. (We refer to these pools as "portfolio pools.") If we sell certificates backed by a portfolio pool, we generally receive cash proceeds. Unless otherwise stated in the prospectus supplement, we apply the cash proceeds to the purchase of other mortgage loans and for other general corporate purposes.

DESCRIPTION OF THE CERTIFICATES

This prospectus relates to certificates issued on and after October 1, 2014, which are issued under our 2009 Single-Family Master Trust Agreement, effective January 1, 2009 (as amended or replaced from time to time, the "trust agreement"). For information about certificates issued before October 1, 2014, see the related MBS prospectus that was in effect at the time those certificates were issued. For each issuance of certificates, there is an individual issue supplement identifying the related trust and the mortgage loan or loans held in the trust. We refer to the trust agreement and the related issue supplement as the "trust documents."

General

The certificates represent fractional undivided beneficial ownership interests in a distinct pool of single-family mortgage loans, or a pool of participation interests in single-family mortgage loans, held in a trust created under the trust documents. We will hold the mortgage loans, in our capacity as trustee, for the benefit of all the holders of certificates of the same issuance. The fractional undivided interest of each certificate will be equal to the initial principal balance of that certificate divided by the aggregate stated principal balance of the mortgage loans in the related pool on the issue date.

Occasionally, if so stated in the prospectus supplement, the certificates represent fractional undivided beneficial ownership interests in a pool of participation certificates, rather than in a pool of whole mortgage loans. We will hold the participation certificates, in our capacity as trustee, for the benefit of all holders of certificates of the same issuance. Although the description of the certificates throughout this prospectus is based on the assumption that the certificates represent interests in whole mortgage loans, the description of the certificates generally applies to certificates backed by participation interests as well, unless stated otherwise in the prospectus supplement.

Issuance in Book-Entry Form

We will issue the certificates in book-entry form using the book-entry system of the U.S. Federal Reserve Banks (each, a "Federal Reserve Bank"). Book-entry certificates must be issued in minimum denominations of $1,000 with additional increments of $1. They are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Any transfers are subject to the minimum denomination requirements.

A certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of the certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial owners of the certificates. If a certificateholder is not also the beneficial owner of a certificate, the certificateholder and all other financial intermediaries in the chain between the certificateholder and the beneficial owner are responsible for establishing and maintaining accounts for their customers. 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 that maintains an account for you.

The Federal Reserve Bank of New York currently serves as our fiscal agent pursuant to a fiscal agency agreement. In that capacity, it performs certain administrative functions for us with respect to certificateholders. Neither we nor any Federal Reserve Bank will have any direct obligation to the beneficial owner of a certificate who is not also a certificateholder. We and any Federal Reserve Bank may treat the certificateholder as the absolute owner of the certificate for all purposes, regardless of any contrary notice you may provide.

The Federal Reserve Bank of New York also currently serves as our paying agent. In that capacity, it credits the account of the certificateholder when we make a distribution on the certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the certificate.

Settlement

Settlement will occur on a business day in the calendar month in which the certificates are issued.

Distributions on Certificates

We will make distributions to certificateholders on the 25th day of each month or, if the 25th day is not a business day, on the next business day. We refer to this date as a “distribution date.” We will make the first payment for each issuance of certificates on the distribution date in the month following the month in which the certificates are issued. For example, if an issue date is March 1, the first distribution date for that issuance is April 25 or, if April 25 is not a business day, the next business day. A business day is any day other than a Saturday or Sunday, a day when a fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or, with respect to any required withdrawal for remittance to a paying agent, a day when the Federal Reserve Bank is closed in a district where a certificate account is maintained if the related withdrawal is being made from that certificate account. We will pay the certificateholder that is listed as of the record date as the holder in the records of any Federal Reserve Bank. The record date is the close of business on the last day of the month immediately before the month in which the distribution date occurs.

Interest Distributions

On each distribution date, we will distribute to certificateholders one month’s interest, calculated on the certificate’s outstanding principal balance immediately prior to that distribution date.

- For fixed-rate pools, we will distribute one month’s interest at the fixed pass-through rate specified in the prospectus supplement.
- For adjustable-rate pools, we will distribute one month’s interest at a variable pass-through rate (based on the rates of interest accruing on the underlying mortgage loans), which we

refer to as the pool accrual rate. The initial pool accrual rate is specified in the prospectus supplement.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of interest, the amount of interest distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a mortgage loan while it remains in the trust.

Interest Accrual Basis

We will calculate the amount of interest due each month on the certificates by assuming that each month consists of 30 days and each year consists of 360 days (a "30/360 basis"). We calculate interest in this way even if some or all of the mortgage loans in the pool provide that interest is calculated on a different basis, such as simple interest. Simple interest, also called daily interest, means that interest on the mortgage loans is calculated daily based on the actual number of days in each month, with a year consisting of 365 days (or 366 days, as applicable), and on the assumption that the borrower's payment is credited on the date it is received.

Principal Distributions

On each distribution date, we will distribute to certificateholders as principal an amount equal to the aggregate of the following amounts:

- the scheduled principal due on the mortgage loans in the pool during the related due period;
- the aggregate amount of all unscheduled principal payments received as specified below:
  - the stated principal balance of each mortgage loan as to which a prepayment in full was received during the calendar month immediately preceding the month in which that distribution date occurs;
  - the stated principal balance of each mortgage loan that was purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs; and
  - the amount of any partial prepayment, or curtailment, of a mortgage loan that was received during the calendar month immediately preceding the month in which that distribution date occurs.

The stated principal balance of a mortgage loan is the principal balance of the loan as of the issue date of the certificates, reduced by all payments of principal paid to certificateholders after that date with respect to that loan.

The due period for each distribution date is the period that (i) begins on the second calendar day of the calendar month before the month in which the distribution date occurs and (ii) ends on the first calendar day of the month in which that distribution date occurs. For example, for a May 25 distribution date, the first day of the related due period is April 2 and the last day is May 1. This is true whether the payment due date is the first day of a month or is any other day in a month.

In certain cases, the first distribution with respect to one or more mortgage loans in the related pool for an issuance of certificates may consist of interest alone (with no principal) from those loans. Whether the first distribution on your pool includes principal from any particular amortizing mortgage loan in the pool depends upon the date on which the mortgage loan was deposited into the pool. The example below assumes that an amortizing mortgage loan was originated in March with the borrower's first principal payment due on May 1:

- If the mortgage loan was deposited into the pool and the related certificates were issued in April, the first distribution date would be May 25. Because the borrower's first monthly payment of interest and principal is due on May 1, interest and principal from the May 1 payment will be distributed to certificateholders on May 25.

- If the mortgage loan was deposited into the pool and the related certificates were issued in March, the first distribution date would be April 25. Because no principal payment is due from the borrower on April 1, interest but no principal from that loan will be distributed to certificateholders on April 25. Principal from the borrower's first monthly payment of principal and interest (due on May 1) will be distributed to certificateholders on May 25.

The prospectus supplement will indicate the percentage of mortgage loans in a pool, if any, that have no scheduled principal payments until the second due period after the issue date of the certificates.

Direct servicers generally have chosen to treat prepayments in full received on the first business day of a month as if received on the last calendar day of the preceding month. As a result, such a prepayment will be passed through to certificateholders on the distribution date in the same month in which the prepayment actually was received. (For example, a prepayment received on the first business day of February would be treated as if it had been received on January 31 and would be passed through to certificateholders on February 25, or the next business day if February 25 is not a business day.) If a direct servicer chooses not to treat prepayments in full in this way, that prepayment would be passed through to certificateholders on the distribution date in the month following the month in which the prepayment actually was received. (For example, a prepayment received on the first business day of February would be passed through to certificateholders on March 25, or the next business day if March 25 is not a business day.)

If a mortgage loan in your pool provides that interest is calculated on a daily or simple interest basis, the scheduled principal payment for that mortgage loan will equal the amount of principal that would have been due on the mortgage loan under an amortization schedule that assumes interest accrues monthly on a 30/360 basis instead of a daily or simple interest basis.

For any mortgage loan in a pool, the amount of scheduled principal payments passed through to certificateholders will be affected by any change made to the amortization schedule of the loan that results from a borrower prepayment. Any such change to the amortization schedule will cause a reduction in the scheduled principal payment for that loan to be passed through to certificateholders each month. The amount of principal distributed on a distribution date may also reflect a correction of an error in an earlier distribution of principal that resulted in an overpayment or underpayment of principal on an earlier distribution date or an error at issuance of the certificates.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of the principal amounts specified above, the amount of principal distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a mortgage loan while it remains in the trust.

In certain instances, a distribution date for principal prepayments may differ slightly from the description above. For example, sometimes the direct servicer is unable to provide us with prepayment information in time to allow us to include the prepayment in the monthly pool factor for a distribution date. In addition, in instances of a natural disaster, terrorist attack, or other similar catastrophic event, we may not receive reporting information from the direct servicer in time to reflect on a distribution date the payments actually received by the direct servicer. In those instances, we will distribute to certificateholders on a distribution date only the scheduled principal amount (and accrued interest). Any principal prepayments that were received but not reported in a timely manner will be distributed to certificateholders on the first distribution date that follows our receipt and reconciliation of the required prepayment information from the direct servicer.

Reports to Certificateholders

Monthly Reports

As our paying agent, the Federal Reserve Bank of New York provides a monthly report to each certificateholder listed as the holder in the records of any Federal Reserve Bank. The report includes the information specified below with respect to each payment, adjusted to reflect each certificateholder's pro rata interest in the related pool as of the distribution date:

- the amount due on the certificates on that distribution date on account of interest;
- the amount due on the certificates on that distribution date on account of total scheduled and unscheduled principal;
- the total cash distribution on the certificates on that distribution date;
- the principal balances of the certificates on that distribution date after giving effect to any distribution of principal on that date; and
- for adjustable-rate pools, the pool accrual rate for that distribution date.

Tax Information

We will post on our Web site, or otherwise make available, information required by the federal income tax laws. **See "MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Information Reporting and Backup Withholding**."

YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Effective Yield

Your yield will depend in part upon whether you purchase a certificate at a discount from or a premium over its outstanding principal balance. In general, if you purchase a certificate at a discount from its outstanding principal and the mortgage loans are prepaid at a rate that is slower than you expect, the yield on your certificate will be lower than you expect. If you purchase a certificate at a premium over its outstanding principal and the mortgage loans are prepaid at a rate that is faster than you expect, the yield on your certificate also will be lower than you expect. ***You must make your own decision about the pool or loan-level prepayment assumptions you will use in deciding whether to purchase the certificates. We do not provide delinquency experience or decrement tables for the certificates.***

Although interest on the certificates accrues during a calendar month, we do not distribute interest to certificateholders until the distribution date in the following calendar month. Because of this delay, the effective yield on the certificates will be lower than it would be if we distributed interest earlier.

Your yield will depend upon the type of certificates that you own. We issue fixed-rate certificates backed by mortgage loans with rates that are fixed throughout their terms, adjustable-rate certificates backed by mortgage loans with rates that are subject to adjustment throughout their terms, and adjustable-rate certificates backed by mortgage loans with variable rates during a portion of their terms.

Yield on Fixed-Rate Certificates

Certificates backed by fixed-rate mortgage loans bear interest at a fixed rate of interest that remains the same throughout the term of the loans. A complete description of fixed-rate mortgage loans and their characteristics and of pools containing fixed-rate mortgage loans may be found in "**THE MORTGAGE LOANS—Fixed-Rate Mortgage Loans**."

A prepayment of principal by a borrower will result in the prepaid principal being distributed to certificateholders. As a result, the effective yield on fixed-rate certificates may be affected if one or more mortgage loans in your pool are prepaid, in whole or in part, during the term of the certificates.

Yield on Adjustable-Rate Certificates

Certificates backed by ARM loans bear interest at a variable rate that is based on the interest rates of the loans in the pool. Those interest rates adjust based upon changes in the value of a stated index. The method by which the index value is determined, the way in which the index value changes, the actual changes in the interest rates on the ARM loans in the pool and other features of the ARM loans will affect the yield on the related certificates. See **"THE MORTGAGE LOANS—Adjustable-Rate Mortgage Loans (ARM Loans)"** for information regarding the different types of ARM loans and the methods for adjusting their interest rates. See also **"RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Yield"** for a discussion of the possible effect on your yield of changes in index values and interest rates.

The effective yield on the certificates is also the result of the combined effect of some or all of the following factors:

- ***The index.*** At the time the certificates backed by an adjustable-rate pool are issued, we expect that all of the ARM loans have the same index, which will be identified in the prospectus supplement. On occasion, due to delivery errors, one or more ARM loans in a pool may have a different index.

- ***Initial fixed-rate period.*** The ARM loans in a pool may have an initial interest rate that is not based on the index. If so, and if the first interest rate change date on any ARM loan in the pool has not occurred before the issue date of the certificates, the certificates will have an initial pool accrual rate that does not reflect the index. In some pools, not all of the ARM loans have the same first interest rate change date. The pool accrual rate will not reflect the index until all the ARM loans in the pool have had their first interest rate change date. At the pool level, we disclose the earliest first interest rate change date, the next interest rate change date, and the first payment date on the ARM loans in a pool.

- ***Mortgage margin.*** The mortgage margin for each ARM loan in a pool is specified in the related mortgage note. On any interest rate change date for an ARM loan, the interest rate on the ARM loan is adjusted to equal the sum of the mortgage margin and the index value determined as of a date specified in the mortgage note, subject to any interest rate caps and floors. The result may be rounded according to the rounding convention stated in the mortgage note (usually to the nearest, next lower or next higher 1/8 or 1/4 of 1%).

- ***Index change frequency.*** If the interest rates on the ARM loans in a pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index. Thus, a change in the index value does not necessarily cause an immediate change in the pool accrual rate. The pool accrual rate is affected only as, and to the extent that, the ARM loans in the pool experience interest rate changes.

- ***Interest rate change date.*** Some or all of the ARM loans in a pool may have different interest rate change dates. As a result, the index values upon which the related interest rate changes are based may vary among the ARM loans in a pool at any given time.

- ***Lookback period.*** The lookback period for an ARM loan in a pool creates a lag (usually 45 days, unless the prospectus supplement specifies otherwise) between the index value upon which interest rate changes on the loan are based and the index value in effect at the time the interest rate on the loan actually adjusts.

- ***Interest rate cap and floor.*** Following a change in the index value, interest rate caps and floors may prevent the interest rate on ARM loans in a pool from increasing as high or decreasing as low as they would have in the absence of interest rate caps or floors. As a result, the yield paid on the certificates may be affected whenever ARM loans in a pool are subject to interest rate caps or floors.

- ***Convertible loans:*** Some ARM loans permit a borrower to convert the loan to a fixed-rate loan. If a borrower exercises such a conversion option, we will purchase the ARM loan from the pool before the conversion date.

- ***Prepayments and purchases of ARM loans from pools.*** A pool may contain ARM loans with different interest rates. Certificateholders receive a rate of interest that is equal to the weighted average of the loan interest rates less the fee percentage (the sum of the servicing fee and our guaranty fee) on the ARM loans. (Weighting is based on the stated principal balance of each ARM loan then remaining in the pool.) Thus, the resulting rate of interest for certificateholders will change whenever an ARM loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases among ARM loans of different interest rates may increase or decrease the effective yield to certificateholders.

- ***Low initial interest rates.*** In a few cases, prevailing market interest rates may be so low that the initial interest rate for an ARM loan in a pool is less than the applicable mortgage margin specified in the mortgage note. As a result, the interest rate on such an ARM loan may not be set at a rate greater than or equal to the applicable mortgage margin until the first interest rate change has occurred depending on any periodic interest rate caps that apply to the mortgage loan. Because the amount of interest distributed to certificateholders before payment changes on the ARM loans is based on the initial interest rates for the ARM loans in the pool, certificateholders may receive less interest than they would have received if the amount of interest was based on the applicable MBS margin (the mortgage margin of a mortgage loan less the fee percentage on that loan).

A more detailed description of ARM loans and their characteristics and of pools containing ARM loans may be found in "**THE MORTGAGE LOANS—Adjustable-Rate Mortgage Loans (ARM Loans)**."

Maturity and Prepayment Considerations

The weighted average life of an issuance of certificates will depend upon the extent to which each payment on the mortgage loans in the pool is applied to principal rather than to interest. For a description of the types of mortgage loans that may be included in a pool, see "**THE MORTGAGE LOANS**."

Prepayments of mortgage loans may occur for a variety of reasons. Some of the most common reasons are discussed in this section. The reasons are not all equally applicable to all pools, as they relate in part to features of the mortgage loans that differ among pools. Because of these variables, we do not provide estimates of the future prepayment experience of the mortgage loans in our pools. See our most recent Form 10-K for recent information regarding the prepayment experience of our mortgage loan portfolio. This prepayment experience is not, however, indicative of any one pool of mortgage loans, including the pool backing your certificates.

Amortizing Mortgage Loans

Fully amortizing mortgage loans with equal monthly payments include both fixed-rate loans and ARM loans that are reamortized each time a payment is adjusted. In the early years of these mortgage loans, most of the monthly payment is allocated to interest. In later years, a greater portion of the monthly payment is allocated to principal. For example, for a fully amortizing mortgage loan with equal monthly payments and an original term to maturity of 30 years: if the borrower makes all scheduled payments (but no prepayments), one-half of the original principal balance of the mortgage loan will be repaid by the 18th to 21st year of the mortgage loan, depending on the interest rate of the mortgage loan. (Higher interest rates result in a slower scheduled amortization of principal.) For a fully amortizing mortgage loan with equal monthly payments and an original term to maturity of 15 years: if the borrower makes all scheduled payments (but no prepayments), one-half of the original principal balance of the mortgage loan will be repaid by the 8th to 9th year, again depending on the interest rate of the loan. (These examples assume interest rates in the 3% to 5% range.)

A balloon mortgage loan has equal monthly payments that are calculated on the basis of an amortization schedule (generally 30 years) that is a longer period of time than the contractual term-to-maturity of the mortgage loan (typically 7 to 10 years). The remaining principal balance becomes due in a lump sum payment on the loan's contractual maturity date. Only a small portion of the principal amount of the mortgage loan may have amortized before the balloon payment on the loan is due.

Interest-Only Mortgage Loans

Some mortgage loans provide for the payment of only interest for an initial period. After this initial period, the payments on the mortgage loan will include principal and interest, with the payments set at an amount that permits the principal balance of the loan to fully amortize over the remaining term. There is no scheduled amortization of principal during the interest-only period. As a result, assuming no prepayments by the borrower, the mortgage loan amortizes more slowly than does a mortgage loan of the same term and interest rate that provides for monthly payments of principal and interest for its entire term. Certificateholders whose certificates are backed by pools of interest-only mortgage loans will receive only interest during the initial period, except to the extent of borrower prepayments during the initial period. Any borrower prepayments of principal will be passed through to certificateholders, resulting in earlier than anticipated receipt of principal.

Convertible ARM Loans

Some ARM loans permit the borrowers to convert the loans to fixed-rate loans. If a borrower exercises any such conversion option, we will purchase the ARM loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate of interest. The purchase price for the loan will equal its stated principal balance plus one month's interest at its then-current pool accrual rate. The stated principal balance of that mortgage loan will be passed through to certificateholders, reducing the outstanding principal balance of the certificates, on the distribution date in the month following the month of purchase. As a result, the weighted average lives of the certificates for a pool of convertible ARM loans may be significantly shorter than for a comparable pool of non-convertible ARM loans. See "**THE MORTGAGE LOANS—Adjustable-Rate Mortgage Loans (ARM Loans)—*Types of ARM Loans***."

ARM Loans Permitting Rate Changes Upon An Assumption

ARM loans generally permit the purchaser of the related mortgaged property to assume the mortgage loan, provided that the purchaser is creditworthy. In some cases, the mortgage loan documents provide that at the time of the assumption, the maximum and minimum interest rates, the mortgage margin or the amount of the monthly payment may be reset to take into account then-prevailing market conditions. If such an ARM loan is assumed, we will purchase the mortgage loan from the pool before the effective date of the reset.

Biweekly Mortgage Loans

Most mortgage loans provide for monthly payments by the borrower. Biweekly mortgage loans, however, provide for payments by the borrower every 14 days. The biweekly payment is half of the amount that would have been due on an otherwise identical mortgage loan with 12 equal monthly payments. Because payments are made every 14 days, 26 payments are made per year (27 payments in some years), which is equivalent to making one additional monthly payment (1 1/2 monthly payments in some years) on a comparable monthly payment mortgage loan. Because the principal balance of a biweekly mortgage loan is reduced every 14 days, the total dollar amount of payments made by a borrower on a biweekly mortgage loan in a year is greater than the total dollar amount of payments that would be made by a borrower on an otherwise identical monthly payment mortgage loan in a year. As a result, a biweekly mortgage loan will be paid down more quickly than an otherwise identical monthly payment mortgage loan, all other factors (including prepayments) being equal.

Because biweekly mortgage loans are paid down more quickly, certificates backed by pools of 30-year biweekly mortgage loans have shorter stated maturities, usually in the range of approximately 20 years, as compared with certificates backed by 30-year monthly payment mortgage loans. In addition, due to the way in which a biweekly payment amount is calculated, a biweekly mortgage loan with a higher interest rate will amortize more rapidly than an otherwise identical biweekly mortgage loan with a lower interest rate. Therefore, certificates backed by pools of biweekly mortgage loans with higher interest rates will have shorter stated terms to maturity than certificates backed by otherwise identical biweekly mortgage loans with lower interest rates.

Non-Standard Collection Option Mortgage Loans

Traditional biweekly mortgage loans require biweekly payments for the entire term of a mortgage loan. In contrast, some mortgage loans may be subject to a non-standard payment collection plan under which a borrower may elect during the term of the mortgage loan to use a non-standard payment method (i.e. payments are made more than once a month) that could reduce the loan's principal balance more rapidly than would a monthly payment method. Although as a general rule these payments are not applied against the principal balance on the same schedule as they are received, over a period of time during which a borrower on a mortgage loan subject to a non-standard collection plan has elected to make mortgage payments on a non-standard basis, the principal balance of the mortgage loan may be reduced more quickly than the principal balance of an otherwise identical monthly payment mortgage loan that does not have non-standard payment terms, all other factors (including prepayments) being equal.

Borrower Refinancings

When a borrower refinances a mortgage loan in a pool, the proceeds from the borrower's new mortgage loan pay off the mortgage loan in the pool, resulting in a prepayment of principal for the certificateholders. Borrowers seek to refinance their mortgage loans for a number of different reasons, some of which are discussed below.

Decline in Mortgage Interest Rates

Refinancings are common when current interest rates on new mortgage loans have declined below the interest rates on existing loans. It is difficult to predict how low interest rates must decline before significant numbers of mortgage loans are refinanced, resulting in prepayments. In the past, many lenders (in some cases in conjunction with us) instituted streamlined refinance procedures and liberalized fee structures and underwriting guidelines for refinance loans. These actions contributed to an increase in the number of borrowers for refinance loans and to a decrease in the interest rate differential that would make refinancing attractive to borrowers. More recently, however, lenders have imposed stricter underwriting guidelines for refinance loans, making it more difficult for many borrowers to refinance their mortgage loans even though interest rates are near historic lows.

Solicitations of Refinancings

Increased borrower sophistication about the benefits of refinancing and mass solicitations of borrowers by lenders (including our direct servicers) also may increase the frequency of refinancings. Our customary policy permits lenders who service mortgage loans in our pools to advertise in a general manner their availability and willingness to make new refinancing loans, but does not permit them specifically to target borrowers whose mortgage loans are in our pools. Under HARP, however, we permit our mortgage seller/servicers to solicit refinancings from eligible borrowers with mortgage loans that have loan-to-value ratios greater than 80% and that are held either in our guaranteed pools or as "whole loans" in our portfolio. The lenders may conduct this targeted solicitation even if they are not soliciting refinancings from borrowers more generally as long as they are also soliciting refinancings from eligible borrowers whose mortgage loans are owned or guaranteed by Freddie Mac (provided that the lender also services mortgage loans owned or guaranteed by Freddie Mac). For further information about HARP, see "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Mortgage Loans Eligible for Refinancing***."

Moreover, in certain circumstances, we act as the direct servicer for mortgage loans that we own or that back our certificates. See "**FANNIE MAE PURCHASE PROGRAM—Servicing Arrangements**." We generally contract with unaffiliated third parties to act as subservicers to perform daily servicing activities for these mortgage loans. In these situations, we expect that our subservicers will solicit refinancings from borrowers on mortgage loans in our pools as well as from borrowers on mortgage loans that we hold as "whole loans" in our portfolio. The subservicers may do so, however, even if they are not soliciting refinancings from borrowers more generally.

Borrower Financial and Interest Rate Considerations

In some cases, borrowers seek to refinance their mortgage loans to alleviate financial pressures or to avoid delinquency or default. In addition, borrowers who are current on their mortgage loans may wish to refinance their loans into loans with lower interest rates or shorter terms. Borrowers may be eligible to refinance their mortgage loans under HARP or other refinancing programs. See "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans**."

Interest Rate Changes from Fixed Rate to Adjustable Rate

Some borrowers have ARM loans with long initial fixed-rate interest periods. Because the interest rates on these loans could increase significantly at the first interest rate change date, borrowers may be more likely to refinance those loans at or before the first interest rate change date.

We disclose mortgage loans that are refinances of previously existing mortgage loans as refinances in the loan purpose table of the prospectus supplement. In addition, if a lender modifies an existing mortgage loan instead of refinancing the loan and then delivers the loan to us, we disclose the loan as a refinance in the loan purpose table. It is a common practice in some states, including the states of Florida, Maryland, and New York, to modify an existing mortgage loan in lieu of doing a traditional refinance where the previous mortgage loan is extinguished and a new mortgage loan is created. We disclose these mortgage loans as refinances in the loan purpose table as well. See **Exhibit B** to this prospectus.

Prepayments Resulting from Servicing Policies and Practices Regarding Troubled Loans

We are committed to keeping borrowers in their homes if there is a reasonable chance that they can meet their mortgage loan obligations. However, our loss mitigation efforts may affect the timing of prepayments of principal you receive on the certificates.

We currently have a number of loss mitigation alternatives available to assist borrowers who are unable (or expect in the near future to become unable) to make their mortgage payments. We encourage our direct servicers to use one or more of these alternatives to help a borrower bring a mortgage loan current and avoid foreclosure. Moreover, as the mortgage market evolves and new loss mitigation alternatives are created to deal with troubled borrowers, we may, at any time, expand the measures we use. At any given time and depending on a variety of factors (including, without limitation, those factors described in "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools**"), we may use certain loss mitigation alternatives more than others. For example, we may decide that during a particular time period we will conduct a streamlined modification initiative in which we offer modifications to particular groups of troubled borrowers who meet certain requirements and successfully complete certain remedial actions that we may request of them. Our Home Affordable Modification Program, discussed below, is an example of such an initiative. At other times, we may conduct our loss mitigation efforts on a more individualized, case-by-case basis, sometimes using streamlined measures.

Some loss mitigation measures occur while a troubled mortgage loan remains in a pool and others are used after a troubled mortgage loan is purchased from a pool. Under the terms of our trust documents, in certain circumstances and subject to certain restrictions, the direct servicer may use one or more permitted loss mitigation measures involving a concession in the payment terms for a troubled loan while it remains in the pool if either (i) the mortgage loan is in default, or (ii) the direct servicer has determined that a payment default on the mortgage loan is reasonably foreseeable. The trust documents require a direct servicer to evaluate the borrower's financial condition as well as the condition of, and circumstances affecting, the mortgaged property in determining whether a payment default on the mortgage loan is reasonably foreseeable. The direct servicer may consider, as set forth in our trust documents, a number of factors in making that determination. Pursuant to our servicing policies and practices, a direct servicer typically may consider a payment default to be reasonably foreseeable when the servicer is notified or becomes aware of an event that would cause the current borrower to default within the next 90 days. See "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools**."

We make available to Fannie Mae servicers and borrowers the Home Affordable Modification Program ("HAMP"), a loss mitigation program under the Making Home Affordable Program. HAMP is available to eligible borrowers with mortgage loans originated on or before January 1, 2009 and is currently scheduled to expire on December 31, 2015. HAMP is designed to assist eligible borrowers who live in their own homes and who are delinquent or are at risk of an imminent default on their mortgage loans. HAMP allows Fannie Mae to work with loan servicers in assisting these distressed borrowers to modify their mortgage loans into mortgage loans that are more affordable and sustainable. Loan servicers participating in the program may reduce interest rates, lengthen the period of time in which payments must be made, or take other steps, such as principal forbearance, to bring the monthly payments down to approximately 31% of a borrower's pre-tax income. An eligible borrower participates in a trial period during which the borrower must make timely payments of the monthly principal and interest payments expected to result from the proposed loan modification. If the borrower successfully completes the trial period, the mortgage loan is removed from the trust and modified accordingly. As a borrower whose mortgage loan was modified under HAMP makes timely monthly payments of principal and interest over a five-year period, the borrower will accrue monthly incentive payments that will reduce the outstanding principal balance of the borrower's mortgage loan.

Some of the more common measures we use in attempting to bring a borrower current are forbearance, repayment plans and loan modifications. These measures may be used in conjunction with or independently from HAMP and either alone or in combination with each other. For example, a borrower may sign one document that combines (x) forbearance for a number of months while his or her delinquent mortgage loan is in a pool (during which period the borrower may or may not be required to make certain reduced monthly payments) with (y) a permanent loan modification once the delinquent mortgage loan is purchased from a pool.

Forbearance and Repayment Plans

Under a forbearance arrangement, the direct servicer agrees either to accept a reduced payment or to forgo payment and refrain from pursuing remedies for default against a borrower during the term of the forbearance. Under a repayment plan, a borrower repays delinquent amounts by making payments that are typically higher than the regularly scheduled payments until the mortgage loan is brought current. A mortgage loan subject to a forbearance arrangement or a repayment plan usually remains in a pool during the respective forbearance or repayment plan period unless the loan reaches a specified delinquency status and is removed from the pool. While our trust documents do not limit the length of our forbearance arrangements or repayment plans, we have imposed limits under our servicing policies and practices. For example, when a direct servicer uses a combination of loss mitigation measures, we typically ask the direct servicer to limit the loss mitigation to 36 months in the aggregate, although a direct servicer may receive permission from us to go beyond that period.

Short Payoffs, Deeds-in-Lieu, and Foreclosure

If we believe that the borrower's circumstances so warrant, we may accept a "short payoff" of the mortgage loan, accept a deed-in-lieu of foreclosure, or foreclose on the mortgaged property. With a short payoff, although the full principal amount of the mortgage loan is due, we accept less than the loan's outstanding unpaid principal balance from sale or refinancing proceeds received by the borrower. If we accept a short payoff by the borrower, we would pass through the stated principal balance of the mortgage loan to certificateholders after the payoff (even if the stated principal balance is more than the payoff proceeds we receive). We generally purchase a mortgage loan from the related trust before we accept a deed-in-lieu of foreclosure or foreclose on a mortgaged property and pass through the stated principal balance of the loan to certificateholders.

We do not anticipate that a trust will hold any REO property at any time. However, in the unlikely event that a trust holds REO property, current federal income tax rules require REO property to be purchased from a trust no later than the close of the third calendar year following the calendar year in which the trust acquired the REO property. This timing may be affected by any future changes in the federal income tax rules. See "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools—*Mandatory Purchases by Issuer***."

Loan Modifications

In a loan modification, the direct servicer, on our behalf, and the borrower enter into an agreement that revises the original terms of the mortgage loan. The revised terms may include a different interest rate on the mortgage loan, a reduced monthly payment amount under the loan, the capitalization of past due amounts as part of the principal balance, an extension of the maturity of the loan and/or forbearance of a portion of the principal until the maturity of the loan. Due to requirements in our current servicing policies and practices as well as in our trust documents, a mortgage loan must be purchased from the pool before a modification becomes effective. A delinquent mortgage loan is purchased from a pool if it is determined that modification is the appropriate loss mitigation technique at that time. Before a mortgage loan has been purchased for purposes of modification, it may have been the subject of other loss mitigation measures.

Purchases of Delinquent Loans

Under the trust documents, we may purchase a mortgage loan from the pool if the mortgage loan has been in a state of continuous delinquency during the period from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan), even though the borrower may have made some payments during that period. For example, if a borrower fails to pay the January 1 payment but makes a full or partial monthly payment on February 1, March 1, and April 1, the mortgage loan could be purchased from the pool as soon as April 2. Under our current servicing policies and practices, we remove a mortgage loan from a pool for this reason only to modify the loan. In the future, we may revise our servicing policies and practices to use this method of measuring delinquency more often.

Under our current servicing policies and practices and as permitted under our trust documents, we may purchase a delinquent mortgage loan when our direct servicer confirms to us that four consecutive months (or eight consecutive biweekly payment periods, in the case of a biweekly mortgage loan) have elapsed since the last payment date on which the direct servicer applied funds totaling a full monthly (or biweekly) loan payment. For example, if a borrower makes the mortgage loan payment due on December 1 but fails to make the mortgage loan payments due on January 1, February 1, March 1, and April 1, the mortgage loan could be purchased from the pool as soon as April 2. We refer to this method of measuring delinquency as the "last paid installment" method or "LPI method."

As of the date of this prospectus, it is our intention to purchase nearly all mortgage loans that become delinquent as to four or more consecutive monthly payments, as measured using the LPI method, subject to economic, market, operational and regulatory constraints. In general, we intend to conduct these voluntary purchases when it is in our economic interest to do so. In the future, we will continue to review the economics of purchasing mortgage loans that are delinquent as to four or more monthly payments and may reevaluate our practices and alter them if circumstances warrant. See "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools—*Optional Purchases by Guarantor***" for a description of the types of factors we consider in making a purchase decision. Subject to certain conditions, we must purchase a mortgage loan from the pool no later than the day on which the mortgage loan becomes 24 months past due.

Our trust documents also allow us the flexibility, in certain limited circumstances (as described in "**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools—*Optional Purchases by Guarantor***"), to purchase a mortgage loan from a trust at any time after a delinquent mortgage loan has been in a state of continuous delinquency and not fully cured during the period from the first missed payment date through the second consecutive payment date (or fourth consecutive payment date in the case of a biweekly mortgage loan). Under our current servicing policies and practices, we have instructed our servicers to use this additional flexibility only in extraordinary circumstances and after obtaining our prior written consent. If we decide to use this flexibility more often, there will be an increase in prepayments of principal to you.

Other Factors Affecting Prepayments

Prepayment rates are influenced by factors in addition to those specified above, including homeowner mobility, general economic circumstances, mortgage loan features and borrowers' choices. See "**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT**." Some of these additional factors are discussed below.

Mortgage Loan Features / Borrower Choices

Certain mortgage loans permit borrowers to pay only accrued interest for extended periods of time without requiring borrowers to make any principal payments. A borrower's decisions about the refinancing of such a mortgage loan or a borrower's expectations regarding the sale of the mortgaged property securing such a mortgage loan may be affected by the fact that, because no principal payments were required, the unpaid principal balance of the loan has not been reduced.

Other factors that may affect the timing of borrower prepayments and prepayment rates include a borrower's payment of additional principal, including a borrower's paying additional principal on a mortgage loan to reduce the loan-to-value ratio to 80%, thereby eliminating payments for mortgage insurance; a borrower's request to reamortize a mortgage loan after a large principal prepayment; a borrower's decision to enter into an agreement at loan origination to have the monthly payment on the mortgage loan cancelled or reduced (or in extremely limited circumstances, have the borrower's unpaid principal balance cancelled) in the event of an adverse event in the borrower's life; or a borrower's decision after loan origination (including during the period between the date we purchase the mortgage loan and the date that we deposit the mortgage loan into a trust for securitization) to enter into a biweekly or other non-standard payment collection option that results in the regular collection of unscheduled principal and a faster rate of amortization of principal.

A borrower's decision to take any of these actions may affect the prepayment rate on your certificates.

Due-on-Sale Clause

Many fixed-rate mortgage loans include a provision (a "due-on-sale clause") allowing the lender to require payment in full if the borrower sells or transfers the related mortgaged property. The enforceability of a due-on-sale clause, however, is limited both by certain laws and by provisions of the trust documents. When a borrower sells or transfers the property securing a fixed-rate mortgage loan in a pool, we will either enforce the due-on-sale clause (unless enforcement is prohibited by law or by the trust documents) or purchase the mortgage loan from the pool. In either case, the principal of the mortgage loan will be paid to the certificateholders on the distribution date in the month following the month in which the mortgage loan was prepaid or purchased from the pool.

Some fixed-rate mortgage loans may contain a provision that allows the mortgage loan to be assumed if the new borrower is the buyer of the related mortgaged property and meets certain credit underwriting and other eligibility standards. Either all of the fixed-rate mortgage loans in a pool will be assumable or none of the loans will be assumable. The pool prefix will identify a pool containing assumable fixed-rate mortgage loans.

Most ARM loans contain a due-on-sale clause with an exception that generally permits an ARM loan to be assumed by a new borrower either after expiration of an initial fixed-rate period or at any time if the new borrower is the buyer of the mortgaged property and meets certain credit underwriting and other eligibility standards. For all other ARM loans, even those with terms that prohibit assumptions, we may permit buyers of the mortgaged properties to assume the loans if they meet certain credit underwriting and other eligibility standards, unless otherwise stated in the prospectus supplement.

In some cases, the mortgage loan documents may provide that, at the time of the assumption, the maximum and minimum interest rates, the mortgage margin or the amount of the monthly payment may be reset to take into account then-prevailing market conditions. The prospectus supplement will indicate if an adjustable-rate pool includes ARM loans that permit any of these features to be reset at the time an ARM loan is assumed. If such an ARM loan is assumed, we will purchase it from the pool before the effective date of the reset.

Mortgage loans that are guaranteed or insured by a government agency typically contain provisions permitting assumption of a loan upon the sale of the related mortgaged property, subject generally to the purchaser's compliance with the credit and underwriting guidelines of the governmental agency. However, some government agencies, including the U.S. Department of Agriculture, through its Rural Development Housing and Community Facilities Program ("Rural Development"), have informed us that a mortgage loan insured or guaranteed by them may be "due on sale" upon the transfer of the related property at a lender's election.

Prepayment Premiums

Although we currently do not acquire mortgage loans with prepayment premiums, your pool may contain previously acquired mortgage loans that require borrowers to pay a prepayment premium if the mortgage loan is paid in full or in part prior to its maturity. Prepayment premiums apply for the time period specified in the mortgage note (for example, for the first three years after the mortgage loan's origination). The requirement to pay a prepayment premium may affect a borrower's decision whether or when to sell the related property or to refinance or otherwise pay off the mortgage loan. Thus, inclusion of prepayment premium provisions in mortgage loans may affect the speed with which the mortgage loans in a pool prepay. A direct servicer that is servicing a mortgage loan with a prepayment premium provision may decide not to enforce the prepayment premium provision if the borrower chooses to refinance with that direct servicer. Even if charged and collected, prepayment premiums will not be paid to certificateholders, unless so stated in the prospectus supplement.

If any of the mortgage loans in a pool contain prepayment premium provisions, all of the mortgage loans in that pool will have prepayment premium features unless the prospectus supplement states otherwise. We will describe any prepayment premium features in the prospectus supplement. In addition, if a pool of fixed-rate mortgage loans has prepayment premium provisions, we will use a special pool prefix in addition to the prospectus supplement description. Unless the prospectus supplement states otherwise, none of the mortgage loans in a pool will contain prepayment premium provisions.

We prohibit our direct servicers from charging or enforcing a prepayment premium when the prepayment arises because the borrower must sell the property to cure a default, or when enforcement of the prepayment premium is otherwise prohibited by law. We also encourage our direct servicers to waive enforcement of prepayment premiums on sales of homes to third parties. Furthermore, state and federal laws may affect when or if a prepayment premium may be collected or may limit the prepayment premium that a lender may collect from a borrower when a mortgage loan is prepaid. We cannot ensure that imposition of a prepayment premium is enforceable under any of these laws or that a change in any law will affect a borrower's decision whether or when to sell the related property or to refinance or otherwise pay off the mortgage loan.

Subordinate Lien Mortgage Loans

Borrowers may be more likely to prepay subordinate lien mortgage loans than first-lien mortgage loans for several reasons. First, because the loan term of a subordinate lien mortgage loan typically is shorter than the loan term of a first-lien mortgage loan (although a subordinate lien mortgage loan can have an original maturity of up to 30 years), borrowers may not view subordinate lien mortgage loans as permanent financing. Second, the interest rate on a subordinate lien mortgage loan is typically higher than that of a first-lien mortgage loan originated in the same interest rate environment, which may cause the borrower to place a higher priority on the early repayment of the subordinate lien mortgage loan. Finally, the principal amount of a subordinate lien mortgage loan typically is smaller, which may make its prepayment easier for the borrower to fund.

THE MORTGAGE LOAN POOLS

We deposit residential mortgage loans into pools and issue our guaranteed mortgage pass-through certificates, or MBS, which evidence beneficial ownership interests in the pooled mortgage loans. We may also create pools of participation interests in mortgage loans. For purposes of the description here, a participation interest is considered as if it were a separate mortgage loan, and payments on the participation interest are treated as if they were payments on the underlying mortgage loan. If we create a pool of participation interests, the prospectus supplement for your certificates will specify that the pool is composed of participation interests in mortgage loans.

Each mortgage loan in a pool is evidenced by a promissory note and secured by a deed of trust, mortgage or similar security instrument creating a first lien (or, in some cases, a subordinate lien) on a single-family (one-to four-unit) residential property. The mortgage loans bear interest at either a fixed or an adjustable rate. Each mortgage loan requires the borrower to make payments of principal and interest on a monthly or biweekly basis, unless provided otherwise in the prospectus supplement. The mortgage loans may be originated for the purpose of financing the purchase of, or refinancing a mortgage loan on, a single-family property.

Assignment of Mortgage Loans; Delivery and Custody of Mortgage Loan Documents

The trust documents require that, at the time of issuance of the certificates, the mortgage loans comprising the related trust fund will be assigned to the trustee, together with all principal and interest payments on or with respect to the mortgage loans due after the issue date. Each mortgage loan held in a particular trust fund will be identified in a schedule described in the related issue supplement.

The trust documents require that certain documents be maintained by the trustee (or a custodian for the trustee) for each mortgage loan, including the original mortgage note (or other instrument of indebtedness) endorsed in blank or to the order of the issuer or the trustee. If the original note is lost or otherwise unavailable, a lost note affidavit may be satisfactory if certain criteria are satisfied. The trust documents also provide that mortgage loan documents may be maintained in electronic format.

Under the terms of the trust documents, an unaffiliated third party, the issuer, the mortgage loan seller, the master servicer, the trustee, a direct servicer, a subservicer or an affiliate of any of these entities may act as custodian. If we are not the custodian, our current policies require that the custodian must be either (a) a financial institution supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC or the National Credit Union Administration ("NCUA"), (b) a subsidiary of a parent financial institution that is supervised and regulated by one of these entities, or (c) a Federal Home Loan Bank. In certain cases, we may permit the seller of the mortgage loans or an affiliate of the seller to act as our document custodian, provided that the entity meets these and certain additional requirements. We may modify our practices regarding the custody of mortgage loan documents at any time, subject to certain standards of care and other requirements described in the trust documents. We periodically review our custodial practices and, subject to the terms of the trust documents, make changes as we determine appropriate.

In connection with the creation of our trusts, we file a Uniform Commercial Code financing statement (a UCC-1) against each mortgage loan seller. In the event of a bankruptcy or receivership of a mortgage loan seller, a court could determine that the mortgage loans were not sold to us but were pledged to us to secure a financing. Courts may also deny our standing to enforce delinquent mortgage loans if we cannot adequately prove our ownership. If as a result of any such determination mortgage loan payments were inadequate to cover the amounts due to certificateholders, we would make payments to the trust under our guaranty in the amount required by the trust to pay certificateholders what they are due. See **"RISK FACTORS—RISKS RELATING TO CREDIT—Seller Credit Factors**."

Age of Mortgage Loans at Time of Pooling

Mortgage loans in our pools may be newly originated, which means they were originated 12 months or less before pooling, or they may be seasoned, meaning they were originated more than 12 months before pooling. In most cases, mortgage loans are deposited into a pool shortly after we acquire them. In other cases, we deposit mortgage loans that were held in our loan portfolio for some period of time into a portfolio pool. Investors should consult the prospectus supplement for an issuance of certificates for further information about the age of the mortgage loans in their pools. Mortgage loans in Fannie Majors® pools must be originated 12 months or less before pooling. See "**—Fannie Majors**."

Pool Disclosure Documents

Each time we issue an MBS, we prepare disclosure documents that describe the terms of the MBS. These issuance disclosure documents are available on our Web site through our PoolTalk application at www.fanniemae.com. The issuance disclosure documents for an MBS consist of this prospectus, the related prospectus supplement and any documents incorporated by reference into this prospectus or related prospectus supplement. See "**INCORPORATION BY REFERENCE.**" The prospectus supplement, which is typically available no later than two business days before the settlement date of the related issuance of certificates, discloses the pool prefix and, for pools containing ARM loans, the subtype, and provides pool-level data as of the issue date of a pool. See "**—Pool Prefixes and Subtypes**."

Issuance disclosure documents contain the most current information available to us as of the issue date of the certificates, unless the prospectus supplement provides for a different date. After certificates are issued, the related issuance disclosure documents may be corrected during the applicable offering period and made available through our PoolTalk application on our Web site. We do not revise the issuance disclosure documents after the offering period to provide any updated information. In determining whether to purchase any issuance of certificates in an initial offering, you should rely ONLY on the information in this prospectus, the prospectus supplement and any information that we have incorporated into these documents by reference. We take no responsibility for any unauthorized information or representation.

We provide pool-level data on our pools, including updated information and corrections, through our PoolTalk application and at other locations on our Web site. In addition, we make available on our Web site certain at-issuance loan-level data on mortgage loans that back certificates issued in 2012 and in subsequent years and certain ongoing loan-level data on mortgage loans that back certificates issued in 2013 and in subsequent years. The data, which is in a downloadable form, is based solely on information that has been provided to us by the sellers and direct servicers of the mortgage loans and that may not have been independently verified by us. Given the volume of loan-level data so provided, we anticipate that some of the data will be incorrect or incomplete. As a result, mortgage loan sellers and direct servicers may notify us that certain data previously provided to us is incorrect. Accordingly, we cannot provide assurance as to the accuracy or completeness of this loan-level data. Moreover, incorrect or incomplete loan-level data may result in inaccuracies in the related pool-level data. We do, however, update loan-level data on a monthly basis based on data provided by the mortgage loan sellers and direct servicers and, if we are made aware of an error, we publish the correct value if possible. We assume no responsibility for damages incurred in connection with the use of the information contained in the loan-level data for other than its intended purposes.

Pool Prefixes and Subtypes

A pool may contain either fixed-rate mortgage loans or ARM loans. No pool will contain both fixed-rate and ARM loans. We assign a separate pool number to each pool of mortgage loans and the related issuance of certificates. We also assign a two-character prefix that identifies the type of mortgage loans in that pool and the basic terms of the certificates. The type of information reflected by the prefix includes whether the underlying mortgage loans are conventional loans or are insured or guaranteed by the government; whether the loans bear interest at a fixed rate or an adjustable rate; for fixed-rate pools, the general term to maturity; and for adjustable-rate pools, various other features. Each adjustable-rate pool is also assigned a subtype designation, which provides a summary of the loan characteristics for that pool, including the index; the frequency of rate and payment adjustments; the percent and timing of certain interest rate caps; the applicability of any prepayment premiums or interest-only payment periods; and any option of the borrower to convert an underlying loan to a fixed-rate loan. We also provide information regarding these characteristics in a prospectus supplement.

Pool prefixes and adjustable-rate subtypes are intended to provide a convenient reference source for the characteristics of the mortgage loans in a pool. **Nevertheless, when deciding whether to purchase certificates, you should rely on pool prefixes and subtypes ONLY in conjunction with the information in this prospectus, the related prospectus supplement and any information that we have incorporated into these documents by reference.**

Some frequently used prefixes are listed on **Exhibit A** at the end of this prospectus. Current information about prefixes and subtypes, including any prefixes and subtypes that may be created after the date of this prospectus, may be found on our Web site. It should be noted that in some cases Megas backed by single-family MBS certificates and Fannie Majors (discussed below) use the same pool prefixes.

Minimum Pool Size

Each of our pools will typically consist of either:

- Fixed-rate mortgage loans that generally have an aggregate unpaid principal balance of at least $1,000,000, or
- ARM loans that have an aggregate unpaid principal balance of at least $500,000.

In each case, the aggregate unpaid principal balance is measured as of the first day of the month in which the certificates are issued. We may, from time to time, make exceptions to these pooling minimums.

Fannie Majors

In addition to issuing our typical certificates, we also issue certificates called Fannie Majors®, which are identified by the same set of prefixes assigned to our typical certificates. Each Fannie Majors pool is composed of mortgage loans of a single mortgage type originated within 12 months of the issue date and usually has a principal balance that exceeds $200 million at issuance. Some Fannie Majors pools are larger than $500 million. Fannie Majors pools are backed by fixed-rate, ARM, or balloon mortgage loans. Fannie Majors pools are generally larger and potentially more geographically diversified than our typical certificates and usually contain mortgage loans delivered to us by multiple lenders. However, some Fannie Majors pools may contain mortgage loans from only a single lender.

During the month of issuance of a Fannie Majors pool, we may issue certificates from time to time as mortgage loans are delivered to us and deposited into the pool and before all final mortgage loan deliveries are made. As a result, if you receive your certificate earlier in the month of issuance before all mortgage loans have been delivered and deposited, your pro rata beneficial interest in the Fannie Majors pool represented by your certificate at the time you receive it will not yet include any beneficial interest in the mortgage loans that have not yet been delivered and deposited. During the month of issuance, we will periodically publish on our Web site the cumulative outstanding certificate balance of each open Fannie Majors pool as of the current business day. The cumulative outstanding certificate balance for each open Fannie Majors pool will be updated throughout the month as additional mortgage loans are delivered and deposited and the related new certificates are issued until that Fannie Majors pool is closed to further deliveries at the end of the month. We publish an interim prospectus supplement each time we issue a certificate representing an interest in a portion of the Fannie Majors pool during the month. We then publish a final prospectus supplement when the Fannie Majors pool has closed.

Mortgage Pool Statistics

In each prospectus supplement, we will set forth certain characteristics of the underlying mortgage loans in the pools. We will disclose some of these characteristics both by a weighted average (or simple average, in some cases) for that pool and in a quartile distribution (including a maximum and a minimum). We will disclose certain other characteristics in either tabular or quartile format only. The statistics listed in each prospectus supplement generally include the characteristics listed in **Exhibit B** to this prospectus. In addition, some of the characteristics are applicable only to ARM loans. For a description of how we obtain information provided in the pool statistics section, you should read the Pool Statistics Methodology in **Exhibit C**. Certificateholders should determine for themselves how to use the pool statistics. We may, from time to time, make additional data elements available to investors by including the data in the prospectus supplement.

Monthly Disclosures

The following disclosures are published each month on our Web site and are available to all market participants for review and analysis.

Pool-Level

We generally update certain information about each pool on an ongoing monthly basis on our Web site. Certificateholders should note that, unless otherwise stated in this prospectus or a prospectus supplement, information on our Web site is ***not*** incorporated by reference in this prospectus or in any prospectus supplement.

On or about the fourth business day of each month, we will publish the current monthly pool factor for each issuance of certificates that remains outstanding. If you multiply the monthly pool factor by the original unpaid principal balance of your certificates, you will obtain the then-current principal balance of your certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. We will also publish the fixed-rate quartiles, which will provide quartiles of certain data elements regarding the mortgage loans backing our fixed-rate certificates.

We will provide certain additional disclosures regarding the certificates on a monthly basis. We publish the geographical statistics and a supplemental file to provide information regarding the characteristics of the underlying mortgage loans, including, but not limited to, state, year of origination, loan purpose, and occupancy type. For our adjustable-rate certificates, we publish the ARM statistics file and the adjustable-rate quartiles files, which disclose rate, adjustment, and cap information as well as certain data elements (by quartiles) of the underlying mortgage loans. For our certificates with initial interest-only periods, we specify the number of months remaining in the interest-only period.

Loan-Level

Each month, we publish certain ongoing loan-level data on mortgage loans that back certificates issued in 2013 and in subsequent years. See "**—Pool Level Disclosures**" for further information.

THE MORTGAGE LOANS

Each mortgage loan in a pool was originated for the purpose of purchasing, or refinancing a loan secured by, a one- to four-unit residential property and is evidenced by a promissory note and secured by a deed of trust, mortgage or similar security instrument creating a first lien (or, if the prospectus supplement so states, a subordinate lien) on a one- to four-unit residential property. Each mortgage loan requires the borrower to make monthly payments of principal and interest, except as provided otherwise in the prospectus supplement. The mortgage loans bear interest at either a fixed or an adjustable rate. The residential properties may be homes of one to four dwellings, townhouses, individual condominium units, manufactured homes, or individual units in planned unit developments (each, a "mortgaged property"). Mortgage loans may also be secured by pledges of ownership interests and assignments of occupancy rights in cooperative housing corporations. The properties may be either owner-occupied or non-owner-occupied.

In addition, from time to time we may pool manufactured housing loans secured by chattel or personal property (as determined by state law). If we do so, we will pool these loans under a separate prefix that indicates that the loans in the pools are secured by personal property instead of real property.

Conventional and Government Mortgage Loans

Most of the mortgage loans included in our pools are conventional mortgage loans—that is, mortgage loans that are not insured by the FHA or guaranteed by HUD, the Department of Veterans Affairs ("VA") or the Rural Development program of the Department of Agriculture. We refer to non-conventional loans as government loans. We refer to pools consisting exclusively of government loans as government pools and designate them with a separate pool prefix. Our current policy is to place government loans, including HUD-guaranteed Native American loans and Rural Development loans guaranteed under the Section 502 Guaranteed Mortgage Program, solely in government pools, but this policy may change in the future. Rural Development loans made under the Section 502 Direct Leverage Mortgage Program may be placed into pools with conventional loans.

Both conventional loans and government loans may bear interest at either a fixed rate or an adjustable rate and may have different methods for calculating interest and repaying principal. The following discussion describes the types of interest rate and loan repayment terms that may be features of the mortgage loans in a pool. The prospectus supplement identifies which of these types of mortgage loans are included in the pool.

Fixed-Rate Mortgage Loans

Fixed-rate mortgage loans bear interest at rates that are fixed at origination and remain constant until the maturity date. Fixed-rate pools consist entirely of fixed-rate mortgage loans that may bear different fixed rates of interest. Interest on a fixed-rate pool (the "pass-through rate") is set on the issue date of the related certificates and is equal to the weighted average of the interest rates less the fee percentages for each mortgage loan in the pool. The fee percentage of a mortgage loan is the sum of the servicing fee and the guaranty fee for that mortgage loan.

In most instances, fixed-rate mortgage loans in a single pool have interest rates that are within a two percent (two hundred basis points) range (though we may, from time to time, permit a wider range). The pass-through rate for each mortgage loan in a fixed-rate pool is the same; therefore, the pass-through rate will not change if prepayments occur, even if those prepayments cause a change in the weighted average interest rate of the remaining loans in the pool. However, because interest is paid based on the outstanding principal balance of the certificates, and principal prepayments are passed through to certificateholders, thereby reducing the stated principal balance of the certificates, principal prepayments may affect the yield on the certificates. For a discussion of how prepayments can affect yield, see "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS.**"

Types of Fixed-Rate Mortgage Loans

Each type of fixed-rate mortgage loan is described below. Unless the prospectus supplement states otherwise, a pool will not include more than one type of fixed-rate mortgage loan, except that graduated payment mortgage loans and growing equity mortgage loans that have become eligible for inclusion may be pooled with fully amortizing mortgage loans.

- *Fully amortizing equal payment fixed-rate mortgage loans*—Each scheduled monthly payment of principal and interest is in the same amount and fully amortizes the principal of the mortgage loan over its term. The term is usually 10, 15, 20, 25, 30 or 40 years. The pool prefix indicates the general maturity of the mortgage loans in the pool.

- *Interest-only initially to fully amortizing equal payment fixed-rate mortgage loans*—During an initial period of time, no scheduled principal payment is due on the mortgage loan, and the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. Consequently, during this initial period, distributions on certificates backed by mortgage loans of this type will consist of interest alone at the fixed pass-through rate and unscheduled principal from partial or full prepayments on the loans. On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to the amount necessary to pay interest at the mortgage interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the mortgage loan on a level debt service basis over the remainder of its term. Accordingly, after the end of the interest-only period, distributions on the certificates will include scheduled and unscheduled principal and monthly interest at the fixed pass-through rate.

- *Balloon fixed-rate mortgage loans*—Each scheduled monthly payment of principal and interest, except the final payment, is in the same amount. The scheduled monthly payments, however, are not sufficient to amortize the mortgage loan fully over its term. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previously scheduled payment.

- *Biweekly fixed-rate mortgage loans*—Each scheduled payment of principal and interest is in the same amount and fully amortizes the principal of the mortgage loan over its term. Payments are due every 14 days. The borrower's biweekly payment is equal to half the amount of the monthly payment that would be required for a fully amortizing 30-, 25-, 20-, 15-, or 10-year mortgage loan, as applicable, with the same principal amount and interest rate. Because the borrower's payments are due every 14 days, there are 26 payments in a year (or 27 payments in some years). Biweekly mortgage loans generally have two biweekly payments during ten months of the year and three payments in the other two months. In years with 27 payments, biweekly mortgage loans have two biweekly payments during nine months and three payments in the other three months.

- *Graduated payment fixed-rate mortgage loans*—The scheduled monthly payments of principal and interest gradually increase over a fixed period of time, in accordance with a pre-set schedule. Because the scheduled monthly payments in the early years of the mortgage loan are not sufficient to pay all of the accrued interest, some of the interest is deferred during that time and added to principal. Although we currently do not acquire graduated payment mortgage loans, your pool may contain previously acquired graduated payment mortgage loans so long as no further payment increases will occur, and no further interest will be deferred, after the issue date of the related certificates.

- *Growing equity fixed-rate mortgage loans*—The scheduled monthly payments of principal and interest gradually increase over a fixed period of time, in accordance with a pre-set schedule. The amount of the increases is applied solely to principal. Although we currently do not acquire growing equity mortgage loans, your pool may contain previously acquired growing equity mortgage loans so long as no future payment increases will occur after the issue date of the related certificates.

- *Timely Payment Rewards® mortgage loans*—The scheduled monthly payments of principal and interest are set based on a somewhat higher interest rate than the interest rate for a typical fixed-rate mortgage loan. After a specified period of time in which all payments are made on time, the mortgage loan is eligible to receive a one-time interest rate reduction of up to one percentage point. At that time, the interest portion of the scheduled monthly payments would be reduced. Although we currently do not acquire Timely Payment

Rewards mortgage loans, your pool may contain previously acquired Timely Payment Rewards mortgage loans so long as no further interest rate changes will occur after the issue date of the related certificates.

Adjustable-Rate Mortgage Loans (ARM Loans)

Adjustable-rate pools consist entirely of ARM loans that bear interest at rates that adjust periodically in response to changes in an index. Some of the more frequently used indices are described under "***—ARM Indices***." ARM loans may have an initial fixed interest rate period during which interest accrues at a fixed rate that is not based upon an index or a loan's mortgage margin. Beginning on the first interest rate change date for an ARM loan, interest on the ARM loan will accrue at a rate equal to the index value plus the mortgage margin that was specified in the related mortgage note, subject to rounding and to interest rate caps and floors. The first interest rate change date for an ARM loan in your pool may have occurred before the issue date of your certificates.

We calculate interest for each adjustable-rate pool at a monthly rate (the "pool accrual rate") that is equal to the weighted average of the mortgage interest rates (less the fee percentages) for each ARM loan in that pool. (Weighting is based on the stated principal balance of each ARM loan then remaining in the pool.) Therefore, the pool accrual rate is not a fixed pass-through rate and generally will vary from month to month as the interest rates on the ARM loans change and as the ARM loans amortize or prepay.

Certain Defined Terms for ARM Loans

The following illustrates the methods for determining the mortgage interest rate, fee percentage, MBS margin and pool accrual rate for each ARM loan in a pool:

Mortgage Interest Rate	=	Index Value + Mortgage Margin (mortgage interest rate subject to interest rate caps and floors)
Fee Percentage	=	Servicing Fee + Guaranty Fee
MBS Margin	=	Mortgage Margin—Fee Percentage
Pool Accrual Rate	=	Weighted Average of (Mortgage Interest Rate—Fee Percentage) for all ARM loans in a pool.

MBS Margin

We generally establish the MBS margin for an ARM loan in a pool in one of two ways:

- **Fixed MBS margin pool**. In some adjustable-rate pools, the MBS margin is the same for all ARM loans in the pool, even though the mortgage margins may vary from loan to loan. We accomplish this by varying the fee percentage from loan to loan, so that the difference between each loan's mortgage margin and its corresponding fee percentage results in an MBS margin that is the same for each loan.
- **Weighted average MBS margin pool**. In other adjustable-rate pools, the fee percentage is the same for all ARM loans in the pool, with the result that the MBS margins vary among the loans in the pool to the same degree as do their mortgage margins.

We provide information about the MBS margins for the ARM loans in your pool in the Pool Statistics section of the prospectus supplement. Moreover, each month we make available updated MBS margin information for each pool on our Web site.

ARM Indices

The prospectus supplement will specify the index used to determine the mortgage interest rates on the ARM loans in your pool. The interest rates on all ARM loans in a pool will adjust based upon the same index. Most mortgage notes for ARM loans provide that if the applicable index is no longer available, the holder, which is Fannie Mae for all ARM loans in an MBS pool, will choose a new index that is based upon comparable information. Some of the indices we commonly use are described below. We make no representations as to the continued availability of these indices or the date on which any particular index is published or made publicly available.

- *U.S. Treasury Indices:* The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year (One-Year Treasury Index), three years (Three-Year Treasury Index), five years (Five-Year Treasury Index) and ten years (Ten-Year Treasury Index), each as made available by the Federal Reserve Board.[1] These indices are sometimes referred to as the constant maturity Treasury or "CMT" indices.
- *COFI Index:* The Eleventh District Cost of Funds, the monthly weighted average cost of funds of the Federal Home Loan Bank of San Francisco, as made available by the Bank (COFI Index).[2]
- *WSJ LIBOR Indices:* The average of LIBOR for six-month (Six-Month WSJ LIBOR Index) and one-year (One-Year WSJ LIBOR Index) United States dollar-denominated deposits, as fixed on each index determination date by the ICE Benchmark Administration Ltd. ("ICE") and published in *The Wall Street Journal*.

Types of ARM Loans

Each type of ARM loan is described below. An adjustable-rate pool generally holds ARM loans of only one type, which will be identified in the prospectus supplement.

- *Fully amortizing ARM loan*—The interest rate on the loan adjusts periodically during its term. Each time the rate is adjusted, the monthly payment amount is changed to an amount necessary to pay interest at the then-applicable interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the current interest rate. Unless we specify otherwise in the applicable prospectus supplement, each loan included in an ARM pool is a fully amortizing ARM loan.
- *Interest-only initially to fully amortizing ARM loan*—During an initial period of time, no scheduled principal payment is due on the loan. The loan may have a fixed rate of interest during the entire interest-only period or may have a fixed rate of interest for a portion of the interest-only period and an adjustable rate of interest during the remaining portion of the interest-only period. In either case, the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the then-current interest rate. As a result, during this initial period, distributions on certificates backed by pools of ARM loans of this type will consist of

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1 These indices are published by the Board of Governors of the Federal Reserve System in Federal Reserve Statistical Release: Selected Interest Rates No. H.15 (519). This release usually appears on Monday (or Tuesday, if Monday is not a business day) of every week. You can obtain a copy by accessing the Federal Reserve Web site at www.federalreserve.gov/releases, by writing the Publications Department at the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551, or by calling (202) 452-3245. We do not intend this Internet address to be an active link.

2 The COFI Index is published in the monthly Federal Home Loan Bank of San Francisco (FHLB-SF) Bulletin. You can obtain a copy by accessing the FHLB-SF Web site at www.fhlbsf.com, by writing to the Office of Public Information, Federal Home Loan Bank of San Francisco, P.O. Box 7948, 600 California Street, San Francisco, California 94120, or by calling (415) 616-1000 or (415) 616-2600. We do not intend this Internet address to be an active link.

interest alone at the then-current interest rate and unscheduled principal from partial or full prepayments on the loans. On the first interest rate change date, and on each subsequent interest rate change date, the interest rate on the loan will adjust to a rate based on the index and mortgage margin that are specified in the mortgage note, subject to any applicable interest rate caps and floors. On the first payment due date following the first interest rate change date, and each subsequent time the interest rate is adjusted, the monthly payment amount will change to an amount necessary to pay interest at the new mortgage interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level debt service basis over the remainder of its term, based on the then-current interest rate.

- *Fully amortizing ARM loan with fixed-rate conversion option*—Some ARM loans permit the borrower to convert the loan to a fixed interest rate loan at certain times specified in the mortgage loan documents. The interest rate and payments adjust in the same manner as fully amortizing ARM loans, described above, unless the loan is converted to a fixed-rate loan. If the borrower exercises the right to convert the ARM to a fixed-rate loan, we will purchase the loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price for the loan will be equal to its stated principal balance, together with one month's interest at its then-current pool accrual rate. In general, the new fixed rate is based on a spread of at least 0.375% above the net yield that we require or that Freddie Mac requires when purchasing 30-year fixed-rate loans under short-term mandatory delivery commitments in effect at the time the ARM loan converts to its fixed rate. (If the original term of the convertible ARM loan is 15 years or less, the new fixed rate is based on an interest rate spread above the required net yield for 15-year fixed-rate loans.) The prospectus supplement for a pool of convertible ARM loans will specify the times at which the ARM loans may begin to accrue interest at a fixed rate. Unless stated in the prospectus supplement, we will not include convertible ARM loans in a pool. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Convertible ARM Loans***."
- *Step-Rate ARM loan*—Some ARM loans have a fixed-rate of interest for an extended period of time, usually five or seven years, and then have a rate adjustment. When the rate is adjusted, the monthly payment amount is adjusted to cover accrued interest and full amortization of principal on a level payment basis over the remaining loan term, based on the new interest rate. No other changes are made to the interest rate of the loan during the remainder of its term.

How ARM Loans Work

ARM loans bear interest at rates that adjust periodically in response to changes in an index. Some of the frequently used indices are described in "***—ARM Indices***."

- *Initial fixed-rate period*. For an initial period, interest on most ARM loans accrues at a fixed rate, which may or may not be based on the index value in effect at the time of the loan's origination. The prospectus supplement will specify (i) the initial interest rate if an ARM loan has not yet had an interest rate change, or the current interest rate if an ARM loan has had an interest rate change, (ii) the length of time from loan origination to the first interest rate change date for each ARM loan in the pool, and (iii) the frequency of interest rate changes.
- *Calculation of the adjustable interest rate*. After the initial fixed-rate period, if any, the interest rate on an ARM loan is adjusted at regular intervals specified in the mortgage note. On each interest rate change date, subject to interest rate caps and floors, the interest rate is adjusted to equal the sum of the index value most recently available as of a date specified in the mortgage note plus the mortgage margin specified in the mortgage note,

The result may be rounded according to the rounding convention stated in the mortgage note (usually to the nearest, next lower or next higher 1/8 or 1/4 of 1%). Unless the prospectus supplement states otherwise, the index value used in this calculation is the index value that was most recently available as of the date that is 45 days before the adjustment date. (This 45-day period is referred to as the lookback period.)

- *Interest rate caps and floors*. Most ARM loans contain periodic interest rate caps and floors, which limit the amount by which the interest rate can increase or decrease on each interest rate change date. ARM loans also specify a lifetime interest rate cap and may specify a lifetime interest rate floor. A lifetime interest rate cap provides that the interest rate may never increase above the lifetime interest rate cap, regardless of the applicable index value, while a lifetime interest rate floor provides that the interest rate may never decrease below the lifetime interest rate floor, regardless of the applicable index value. If no lifetime interest rate floor is specified, we treat the related mortgage margin as the lifetime interest rate floor. The prospectus supplement will specify any periodic interest rate caps and floors that apply to the initial interest rate change and each later interest rate change and will also disclose the lifetime interest rate caps and lifetime interest rate floors.

- *Payment change frequency and payment caps*. Unless the prospectus supplement states otherwise, all payment changes on ARM loans will take effect in the month after each interest rate change. In addition, the prospectus supplement will disclose whether payment changes are subject to a payment cap and payment floor that limit the amount by which the borrower's payment can increase or decrease with each interest rate change. A common payment cap and payment floor is 7.5% above or below the amount of the monthly payment before the interest rate change.

- *Rate changes upon assumption of an ARM loan*. ARM loans generally permit the purchaser of the related mortgaged property to assume the loan, provided that the purchaser is creditworthy. For additional information about the rules that apply in this circumstance, see "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Other Factors Affecting Prepayments*—***Due-on-Sale Clause*" above. In some cases, the mortgage loan documents may provide that at the time of the assumption, the maximum and minimum interest rates, the mortgage margin or the amount of the monthly payment may be reset to take into account then-prevailing market conditions. The prospectus supplement will indicate if an adjustable-rate pool includes ARM loans that provide for resets of any of these features at the time a loan is assumed. If such an ARM loan is assumed, we will purchase the ARM loan from the pool before the effective date of the reset.

Some ARM loans permit negative amortization. In those cases, there may be times when the monthly payment is insufficient to pay all of the interest that has accrued during the month. This usually occurs when payments do not change as frequently as the interest rate changes, when a payment cap applies, or both. In either case, the amount by which the payment is insufficient to pay the interest due is deferred and added to the principal balance of the ARM loan. Interest then accrues on the new, higher mortgage loan balance. Under our current policy, we do not purchase ARM loans that permit negative amortization. If our policy changes, the prospectus supplement will disclose that the ARM loans permit negative amortization and describe the terms.

Uniform Hybrid ARM Loans

Some ARM loans have fixed interest rates for an initial period of years and then adjust annually after this initial period. We call these ARM loans "hybrid ARM loans." Some pools contain hybrid ARM loans as well as certain other types of ARM loans, while other pools, which are designated with a specific prefix and a subtype, contain only hybrid ARM loans with a uniform set of attributes. We refer to this latter type of pool as a "uniform hybrid ARM" pool.

A uniform hybrid ARM pool that is so identified by prefix and subtype has a structure that combines both fixed and weighted attributes. All hybrid ARM loans in a uniform hybrid ARM pool have a fixed interest rate during an initial period equal to a specific number of scheduled payments and then have an adjustable interest rate during the remainder of their term. Although the first interest rate change dates vary among the loans in the pool, the dates are within a specified range that is narrower than the range of first interest rate change dates for most other pools containing hybrid ARM loans. The initial fixed interest rate period for a uniform hybrid ARM loan is usually 3, 5, 7, or 10 years. During the adjustable-rate period following the initial fixed-rate period, the interest rate is determined by reference to an index as discussed above. After the first interest rate change, the pool accrual rate will equal the weighted average of the mortgage interest rates (net of the fee percentage) of the mortgage loans in the pool. In a uniform hybrid ARM pool, all of the mortgage loans are subject to certain periodic and lifetime interest rate caps (as specified in the related prefix and subtype). We refer to a lifetime interest rate cap as the maximum mortgage interest rate on a hybrid ARM loan. In addition, the mortgage interest rate for a uniform hybrid ARM loan may never decrease below the mortgage margin for that mortgage loan. We refer to this interest rate floor as the minimum mortgage interest rate.

Our current form of uniform hybrid ARM pool contains mortgage loans that are called "5/1 uniform hybrid ARM loans." Each of these mortgage loans has an initial fixed-rate period of approximately five years (54 to 62 scheduled monthly payments) during which the mortgage loan's initial interest rate is fixed at a competitive market rate. After the initial fixed-rate period, the interest rate on each 5/1 uniform hybrid ARM loan will change annually to equal (i) the One-Year WSJ LIBOR Index value that is most recently available 45 days before the interest rate change date, plus (ii) the mortgage margin that was set forth in the mortgage note when the mortgage loan was originated. As a result of the periodic and lifetime interest rate caps on a 5/1 uniform hybrid ARM loan, at the first annual interest rate change date, the mortgage interest rate may not be adjusted to a rate that is more than five percentage points above or below the initial interest rate. On each of the following annual interest rate change dates, the interest rate on the mortgage loan may not be adjusted to a rate that is more than two percentage points above or below the previous mortgage interest rate. In addition, the lifetime cap will not allow the interest rate on the mortgage loan to adjust to a rate that is more than five percentage points above the initial interest rate.

The hybrid ARM loans in a uniform hybrid ARM pool are generally not assumable until the expiration of the initial fixed-rate period. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Other Factors Affecting Prepayments***—*Due-on-Sale Clause.*" The original terms of those hybrid ARM loans may range up to 30 years.

High Loan-to-Value Mortgage Loans

HARP is a refinancing program under the Administration's Making Home Affordable Program that offers additional refinancing flexibility to eligible borrowers who are current on their mortgage loans and whose mortgage loans are owned or guaranteed by Fannie Mae or Freddie Mac and meet certain additional criteria. HARP originally authorized us to acquire >80% LTV loans only if their current loan-to-value ratios did not exceed 125% for fixed-rate mortgage loans and did not exceed 105% for ARM loans. However, as the result of changes to HARP in December 2011 and changes to our Refi Plus program, borrowers may be eligible to refinance very high LTV fixed-rate loans if the mortgage loans were closed on or before May 31, 2009.

Mortgage Loans Eligible for Refinancing

Before June 2012, we issued pools containing seasoned >80% LTV loans only if the mortgage loans were not very high LTV loans. In June 2012 we began issuing certificates backed by pools containing very high LTV loans. (We sometimes refer to >80% LTV loans and very high LTV loans together as "high LTV loans.") As a result, your certificates may be backed by a pool containing seasoned high LTV loans. If your pool holds eligible high LTV loans and those loans are refinanced, you will receive an early payment of principal on your certificates, which will reduce the weighted average life of your certificates and may adversely affect your yield.

To refinance a mortgage loan under the HARP guidelines as implemented by Fannie Mae, the borrower must meet certain credit standards, and the existing loan (the "original loan") must have the following characteristics:

- it is a first-lien, conventional whole mortgage loan;
- it was closed on or before May 31, 2009;
- it was not originated under HARP (unless it was originated in March, April or May 2009);
- it is current in its monthly payments at the time of the refinancing; and
- it has an acceptable payment history.

Mortgage loans with loan-to-value ratios less than or equal to 80% may be eligible for refinancing under Refi Plus.

The new mortgage loan resulting from the refinancing (the "new loan") must meet the criteria specified under "***—Newly Originated Mortgage Loans***."

As part of the refinancing efforts required by HARP, our mortgage seller/servicers are permitted to solicit refinancings of eligible borrowers with high LTV loans that we own or guarantee. These solicitations may be directed to eligible borrowers even if the related mortgage seller/servicers are not soliciting refinancings from borrowers more generally so long as they are also soliciting eligible borrowers whose mortgage loans are owned or guaranteed by Freddie Mac (provided that the mortgage seller/servicer also services mortgage loans owned or guaranteed by Freddie Mac). As a result, mortgage seller/servicers may be more likely to solicit eligible borrowers for refinancings.

HARP and Refi Plus refinancings must be completed pursuant to a loan application submitted by December 31, 2015.

Newly Originated Mortgage Loans

Your pool may contain newly originated high LTV loans that are the result of the refinancings described above. A fixed-rate pool may contain mortgage loans that, at acquisition, had (i) loan-to-value ratios greater than 80% but not exceeding 105%, (ii) loan-to-value ratios greater than 105% but not exceeding 125%, or (iii) loan-to-value ratios greater than 125%. An ARM pool may contain mortgage loans that, at acquisition, had loan-to-value ratios greater than 80% but not exceeding 105%. The loan-to-value ratio disclosed for a newly originated high LTV loan will be calculated using the principal balance of the new mortgage loan at origination and a property value that may be the value from a recent appraisal, an update of the original value based on a standardized process, or the value from the original appraisal which the mortgage loan seller has represented and warranted remains valid.

Any newly originated mortgage loan resulting from a refinancing under HARP has the following characteristics:

- it is originated pursuant to a loan application submitted on or before December 31, 2015;
- it has a loan-to-value ratio no greater than 105% if it is an ARM loan or a fixed-rate mortgage loan with a term of over 30 years (i.e., no cap on the loan-to-value ratio if a fixed-rate loan with a term of 30 years or less); and

- it provides a benefit to the borrower by
  - lowering the monthly payment relative to the monthly payment on the original mortgage loan;
  - reducing the interest rate relative to the rate on the original mortgage loan;
  - reducing the amortization term of the mortgage loan relative to the amortization term on the original mortgage loan; and/or
  - resulting in a more stable loan product (for example, moving from an ARM loan to a fixed-rate mortgage loan).

HARP further provides that

- the new mortgage loan may be secured by any property if that property was eligible as security at the time of the original mortgage loan;
- no new property appraisal is required in many cases;
- existing mortgage insurance on the original mortgage loan may be carried forward to the new mortgage loan or, if the original mortgage loan did not have mortgage insurance, mortgage insurance is not required for the new mortgage loan;
- certain risk-based fees may be eliminated for borrowers whose new mortgage loan has a shorter term than the original mortgage loan (and, in some cases, for other borrowers); and
- lenders' liability is reduced for certain breaches of representations and warranties with respect to the original mortgage loans.

Each newly originated very high LTV loan will be a mortgage loan resulting from the refinancing of a prior very high LTV loan that was closed on or before May 31, 2009. A pool will not hold any newly originated very high LTV loan that is not the result of such a refinancing. A pool of very high LTV loans will have a CR or CW prefix. For tax considerations related to such pools, see "**RISK FACTORS—RISKS RELATING TO INVESTMENT DECISIONS—*If a pool holds mortgage loans with loan-to-value ratios greater than 125%, the related certificates are not eligible investments for a real estate mortgage investment conduit ('REMIC')***."

Eligibility for Good Delivery into a TBA Trade

Securities that are backed by fixed-rate mortgage loans and that bear a CI, CL, CN or CT prefix currently are eligible for "good delivery" into a "to be announced" or "TBA" trade. A TBA pool may include mortgage loans with the special features described in "**—Special Feature Mortgage Loans**" if the aggregate issue date unpaid principal balance of those mortgage loans does not exceed 10% of the issue date principal balance of the related certificates.

Special Feature Mortgage Loans

Some mortgage loans have special features that distinguish them from standard mortgage loans. The special features may include the purpose of the mortgage loan, the type of property securing the loan, the availability of a temporary interest rate reduction on the loan, the size of the loan and certain characteristics of the borrower on the loan. These mortgage loans may have fixed or adjustable interest rates and payment structures of a type described in "**—Fixed-Rate Mortgage Loans**" and "**—Adjustable-Rate Mortgage Loans (ARM Loans)**." Certain special features are described below.

Relocation Loans

Some employers enter into an agreement with a lender under which the lender agrees to make mortgage loans to employees who are moving to new job locations. These mortgage loans are made to finance the purchase of a home at a new job location and may involve a financial contribution by the employer, which can include subsidies and interest rate buydowns. In general, employees who obtain these mortgage loans are highly mobile and expect to be relocated frequently. Because the employer frequently has a financial interest in the mortgage loan, a beneficial change in the interest rate environment may cause the employer to encourage the employee to refinance the loan. We are not aware of any studies or statistics on the prepayment rates of relocation loans and cannot estimate the future prepayment performance of relocation loans or how their performance compares with that of mortgage loans that are not relocation loans. However, in addition to the factors affecting loan prepayment rates in general, the prepayment of relocation loans depends on the individual circumstances of employees and employers and the characteristics of specific relocation programs. Furthermore, a change in the economy or in the employer's business, such as an economic downturn or accelerated expansion of the employer's business, could cause an employer to suspend its relocation program or to move its employees more frequently.

If relocation loans comprise more than 10% of the mortgage loans in a pool, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool, then (i) for fixed-rate pools, the pool prefix will identify the pool as a "relocation loan pool," and the pool statistics portion of the prospectus supplement will show the percentage of relocation loans in the pool, and (ii) for adjustable-rate pools, the pool statistics portion of the prospectus supplement will identify the pool as a "relocation loan pool" and will show the percentage of relocation loans in the pool. Relocation loans also may be included in other pools but will not exceed 10% of the pool on its issue date, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool.

Cooperative Share Loans

In some communities (particularly in the New York City metropolitan area), residents of residential units in multi-tenant housing projects own their dwellings through ownership in a cooperative housing corporation. Unlike borrowers under traditional mortgage loans, the borrowers do not buy the real estate but rather acquire interests in the cooperative housing corporation with rights to occupy their respective dwelling units.

A cooperative share loan is secured by two types of collateral: the stock or certificate of membership (or other similar evidence of ownership) issued by the cooperative housing corporation to the borrower as tenant-stockholder or resident-member, and the proprietary lease, occupancy agreement or other similar agreement granting the borrower as tenant-stockholder or resident-member the right to occupy a particular dwelling unit in the cooperative housing project owned by the cooperative housing corporation. The borrower's ownership interest and occupancy rights are subject to restrictions on sale or transfer.

In addition to making the monthly mortgage payment, the borrower generally must pay a proportional share of real estate taxes on the cooperative housing project and of payments on any blanket mortgage loan made to the cooperative housing corporation and secured by the cooperative housing project. If the borrower fails to pay its required share, the corporation can terminate the borrower's occupancy rights. In addition, the borrower's occupancy rights are subordinate to the lien of any blanket mortgage loan on the cooperative housing project. If the corporation should default on its blanket mortgage loan, the holder of the corporation's blanket mortgage loan (which could be Fannie Mae because we acquire cooperative blanket mortgage loans through our multifamily program) could foreclose on the cooperative housing project and terminate the occupancy rights of the borrower. If the borrower's occupancy rights are terminated, the cooperative share loan would default and, if the default was not cured, would be purchased from the pool, resulting in a prepayment of principal on the related certificates.

In many cases, a single lender will have made cooperative share loans to several residents of the same cooperative project. If all of those loans are included in the same pool, holders of certificates backed by those loans would be significantly at risk for multiple prepayments resulting from defaults on the cooperative share loans caused by a default by the cooperative housing corporation under its blanket mortgage loan.

If cooperative share loans comprise more than 10% of the mortgage loans in a pool, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool, then (i) for fixed-rate pools, the pool prefix will identify the pool as a “cooperative share loan pool” and the pool statistics portion of the prospectus supplement will show the percentage of cooperative share loans in the pool, and (ii) for adjustable-rate pools, the pool statistics portion of the prospectus supplement will identify the pool as a “cooperative share loan pool” and will show the percentage of cooperative share loans in the pool. Cooperative share loans also may be included in other pools but will not exceed 10% of the pool on its issue date, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool.

Buydown Mortgage Loans

To induce people to buy homes, builders and sellers of homes, or other interested parties, including lenders, may agree to pay some of the costs of the mortgage loan, including subsidizing the monthly mortgage payments for an agreed upon period of time. This arrangement, which we refer to as a “buydown,” may enable borrowers to qualify for mortgage loans that their available funds ordinarily would not permit them to do. Buydowns may include “significant temporary interest rate buydown mortgage loans,” which are buydowns of more than two percentage points below the note rate or buydowns that are in effect for more than two years.

If significant temporary interest rate buydown mortgage loans comprise more than 10% of the mortgage loans in a pool, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool, then (i) for fixed-rate pools the pool prefix will identify the pool as a “significant temporary interest rate buydown mortgage loan pool” and the pool statistics portion of the prospectus supplement will show the percentage of significant temporary interest rate buydown mortgage loans in the pool, and (ii) for adjustable-rate pools, the pool statistics portion of the prospectus supplement will identify the pool as a “significant temporary interest rate buydown mortgage loan pool” and will show the percentage of significant temporary interest rate buydown mortgage loans in the pool. Significant temporary interest rate buydown mortgage loans also may be included in other pools but will not exceed 10% of the pool on its issue date, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool.

“J” Prefix Pools for Fixed-Rate Mortgage Loans

If over 15% of the issue date aggregate principal balance of a pool is composed of at least two of the three special feature mortgage loans described above (i.e., relocation loans, cooperative share loans, and significant temporary interest rate buydown mortgage loans), the pool will have a special “J” prefix. For example, if on the issue date, relocation mortgage loans comprise 8% of a pool and significant temporary interest rate buydown mortgage loans comprise 9% of a pool, the pool will have a “J” prefix, and the pool statistics portion of the prospectus supplement will show the percentages of each category of mortgage loans at the issue date. The “J” prefix also may be used to call attention to additional special disclosure characteristics that are disclosed in a prospectus supplement for certain fixed-rate pools. In addition, the “J” prefix is used to indicate that a pool contains fixed-rate jumbo-conforming mortgage loans originated from and including July 1, 2007 through February 29, 2008. See “***—Mortgage Loans with Original Principal Balances Exceeding Our Traditional Conforming Loan Limits.***”

Community Reinvestment Act Mortgage Loans

Many lenders are required by the Community Reinvestment Act (“CRA”) to meet the credit needs of their entire community, including low- and moderate-income neighborhoods. Mortgage loans originated to meet CRA objectives are subject to our eligibility and underwriting criteria and policies, which we may waive or modify from time to time. In addition, the mortgaged properties may be concentrated in low-and moderate-income neighborhoods and localities. An investor must make its own determination as to whether a particular pool meets the CRA objectives or other objectives relevant to that particular investor. Fannie Mae makes available certain additional loan-level information for pools issued and sold through our CRA-targeted MBS program, which can be found on our Web site by clicking "CRA Targeted MBS" in the "Data Collections" section of the Single Family MBS Web page.

Reperforming Government Mortgage Loans

Some pools are composed entirely of FHA and VA mortgage loans that were ninety days or more delinquent during the 12 months immediately prior to issuance of the certificates. These mortgage loans are referred to as reperforming mortgage loans because all mortgage loans in the pool will be current as of the issue date of the related certificates. Pools of reperforming mortgage loans will be identified by a pool prefix or in the prospectus supplement. Reperforming FHA and VA mortgage loans may experience more delinquencies and a faster rate of prepayment than mortgage loans without similar delinquency histories.

Timely Payment Rewards® Mortgage Loans

In 1999 we introduced a mortgage loan product known as Timely Payment Rewards. Timely Payment Rewards mortgage loans ("TPR mortgage loans") targeted borrowers who had lower credit ratings or lacked sufficient funds for a significant down payment or closing costs. Although TPR mortgage loans have somewhat higher initial interest rates than do ordinary fixed-rate mortgage loans, TPR mortgage loans are eligible to receive a one-time interest rate reduction of up to one percentage point (the "TPR interest rate adjustment") if the borrower makes timely payments with respect to the mortgage loan for a specified period (frequently, 36 months) as set forth in the related mortgage loan documents. Although we currently do not acquire TPR mortgage loans, your pool may contain previously acquired TPR mortgage loans in fixed-rate mortgage loan pools so long as the TPR interest rate adjustment for each TPR mortgage loan in the pool has occurred before the issue date of the related certificates. Although we will not specifically identify TPR mortgage loans, the loan-level data available on our Web site with respect to pools holding TPR mortgage loans will disclose the current interest rate for both the original interest rate and current interest rate. The current interest rate reflects application of the TPR interest rate adjustment.

Mortgage Loans with Original Principal Balances Exceeding Our Traditional Conforming Loan Limits

In past years, Congress passed several statutes that have provided us with either temporary or permanent authority to purchase mortgage loans that exceed our general conforming loan limit because the properties securing those mortgage loans are in certain "high-cost" areas. See "**FANNIE MAE PURCHASE PROGRAM—Mortgage Loan Eligibility Standards—Conventional Loans—*Dollar Limitations***" for additional information regarding our general conforming loan limits and our ability to purchase mortgage loans that exceed these general conforming loan limits in certain "high-cost" areas.

A TBA pool may include mortgage loans with an original principal balance exceeding our general conforming loan limit if (i) the mortgage loans have an origination date on or after October 1, 2008 and (ii) the aggregate issue date unpaid principal balance of the mortgage loans does not exceed 10% of the issue date principal balance of the related certificates.

Pools with prefixes that are not eligible for good delivery in a TBA trade may contain any number of mortgage loans with original principal balances above our general conforming loan limits. You should review the pool statistics portion of the applicable prospectus supplement for additional information regarding the loan size of the mortgage loans in your pool.

Any pool containing mortgage loans designated by a lender as “jumbo-conforming mortgage loans” will contain a table in the pool statistics portion of the prospectus supplement showing the percentage of the pool that consists of jumbo-conforming mortgage loans. For this purpose, a “jumbo-conforming mortgage loan” is a conventional mortgage loan that (i) was originated on or after July 1, 2007 but not later than December 31, 2008 and (ii) had an original principal balance in excess of our general conforming loan limit at the time we purchased the loan.

FANNIE MAE PURCHASE PROGRAM

The mortgage loans we purchase must meet standards required by the Charter Act. These standards require that the mortgage loans be, in our judgment, of a quality, type and class consistent with the purchase standards imposed by private institutional mortgage investors. Consistent with those requirements, and with the purposes for which we were chartered, we establish eligibility criteria and policies for the mortgage loans we purchase, for the mortgage loan sellers from which we purchase mortgage loans, and for the direct servicers that service our mortgage loans. See **“FANNIE MAE”** for information regarding the Charter Act and its purpose.

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Conventional Loans

Dollar Limitations

The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. Since early 2008, there have been two sets of loan limits: “general” and “high-cost.” The general conforming loan limits typically are adjusted annually and currently apply to mortgage loans secured by property in areas that are not considered by FHFA to be “high-cost” areas. As of January 1, 2014, our general national conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is $417,000. The general conforming loan limit is higher for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands. As of January 1, 2014, our general conforming loan limit for conventional loans secured by first liens on residences containing two dwelling units is $533,850, three dwelling units is $645,300 and four dwelling units is $801,950. For mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, the limit is 50% higher for each category of residence.

The first “high-cost” loan limits applied to mortgage loans originated beginning on July 1, 2007 and were adjusted through legislation as follows:

Economic Stimulus Act of 2008 (ESA): Temporarily increased the conforming loan limit for mortgage loans that were secured by properties in certain “high-cost” areas and that were originated between July 1, 2007 and December 31, 2008. For a one-family residence, the loan limit increased to 125% of the area’s median house price, up to a maximum of $729,750. The loan limit would be at least $417,000 in any area.

Housing Economic and Recovery Act of 2008 (HERA): Amended the Charter Act to expand the definition of a conforming loan to include higher loan limits for mortgage loans that are secured by properties in "high-cost" areas and that were originated on or after January 1, 2009. For a one-family residence, the "high-cost" conforming loan limit is equal to 115% of the area's median house price, up to a maximum of 150% of the general conforming loan limit (which maximum is $625,500 for a first-lien mortgage loan secured by a one-family residence as of January 1, 2014). The loan limit would be at least $417,000 in any area.

American Recovery and Reinvestment Act of 2009 (ARRA): As enacted and then amended, granted us authority to acquire mortgage loans originated in 2009, 2010 and the first nine months of 2011 that are secured by properties in certain designated "high-cost" areas and that meet the higher of the two conforming loan limits established by ESA and HERA. The maximum loan limit under this authority for a one-family residence located in a designated "high-cost" area was $729,750 until October 1, 2011, when the maximum loan limit dropped to $625,500, where it remained at January 1, 2014. A list of "high-cost" areas affected by this legislation is available on our Web site and on FHFA's Web site. The maximum "high-cost" loan limits for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands are 50% higher than the "high-cost" loan limits for the rest of the United States.

Our conforming loan limit for mortgage loans secured by subordinate liens on single-family one- to four-unit residences is 50% of the general conforming loan limit for first-lien loans secured by one-unit residences. As of January 1, 2014, the conforming loan limit for subordinate lien mortgage loans is $208,500. For subordinate lien mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, the limit is $312,750.

We may continue to purchase mortgage loans originated on or after July 1, 2007, through and including September 30, 2011, that were subject to the prior "high-cost" area limit.

The aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of the applicable first-lien conforming loan limit for single-family one- to four-unit residences. We may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase in addition to the limits imposed under the Charter Act and by Congress.

Credit Risk Profile

The credit risk profile of our single-family mortgage credit book of business is influenced by, among other things, the credit profile of the borrowers, the features of the mortgage loans we acquire, the types of properties securing the mortgage loans, and the housing market and economy more generally. Following the credit crisis of 2007 and 2008, we made significant changes to our credit standards to improve the performance of our acquisitions. Included among these changes were the elimination of contract terms that allowed for delivery of mortgage loans originated within certain expanded underwriting and credit risk guidelines. We also implemented lower maximum loan-to-value ("LTV") ratios, lower debt-to-income ("DTI") ratios, an overall minimum FICO score requirement and higher minimum FICO scores for certain product/amortization types.

Our Selling Guide establishes the baseline risk parameters, or credit standards, for mortgage loans that we acquire from our approved mortgage loan sellers, and by controlling these parameters we control the credit risk profile of our acquired mortgage loans. Mortgage loan sellers must evaluate the overall level of delinquency risk that is present in each mortgage application by taking into consideration any layering of risk factors, the significance of those factors, and the overall risks present in the mortgage application. Key risk elements addressed in our credit requirements include LTV ratio, product type, number of units, property type and adequacy of collateral, occupancy type, credit score, DTI ratio, loan purpose, geographic concentration and loan age. The mortgage loan seller's determination of the mortgage delinquency risk, the assessment of the adequacy of the mortgaged property as security for the mortgage loan, the determination of whether the mortgage loan satisfies our eligibility criteria in all respects, and the acceptability of the documentation in the mortgage file should all enter into the decision on whether to deliver the mortgage loan to us.

Underwriting Guidelines

General

We have established credit underwriting and eligibility standards that a mortgage loan seller must follow in evaluating the capacity and willingness of a borrower to repay a mortgage loan we acquire and in determining the adequacy of the mortgaged property as collateral for the mortgage loan. In evaluating a borrower's willingness and capacity to repay a mortgage loan, the mortgage loan seller must include documentation in the loan file that confirms that the information provided by the borrower as part of the loan application is accurate and supports the seller's assessment of the borrower's credit history, employment, income, assets, and other financial information. In addition, the mortgage loan seller must conduct a comprehensive risk assessment of each mortgage loan application before approving it. The mortgage loan seller is also responsible for the accuracy and completeness of the appraisal and its assessment of the marketability of the property as well as underwriting the appraisal report to determine whether the property presents adequate collateral for the mortgage loan.

We regularly review and provide updates to our underwriting and property standards and eligibility requirements to take into consideration changing market conditions. From time to time, we may expand our underwriting criteria to make mortgage loans more accessible to borrowers who are members of groups that have been underserved by mortgage lenders, including low- and moderate-income families, people with no prior credit history or with less than perfect credit history, rural residents and people with special housing needs.

Loan-to-Value Ratios

The Charter Act generally requires us to obtain credit enhancement whenever we purchase a conventional mortgage loan secured by a single-family one- to four-unit residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to us covering the amount in excess of 80% (at the time of purchase), repurchase arrangements with the mortgage loan seller of the mortgage loans, and seller-retained participation interests. In our discretion, we may impose credit enhancement requirements that are more restrictive than those of the Charter Act. In addition, from time to time, pursuant to the Charter Act, we may also acquire mortgage loans that are refinances of mortgage loans that we currently hold, which do not require credit enhancement if the acquisition is in connection with our loss mitigation objectives.

Our loan-to-value ratio requirements for mortgage loans we purchase vary depending upon a variety of factors that may include, for example, the type of mortgage loan, loan purpose, loan amount, number of dwelling units in the property securing the loan, repayment terms, mortgage loan seller creditworthiness, and borrower credit history. Depending upon these factors, at the date of acquisition, the current loan-to-value ratio for an ARM loan does not exceed 105% and for a fixed-rate mortgage loan generally does not exceed 125%. However, under current HARP guidelines, we may acquire a newly originated >80% LTV loan with a loan-to-value ratio exceeding 125% (i.e., a very high LTV loan) if the loan is a fixed-rate mortgage loan that resulted from the refinancing of an eligible very high LTV loan. Investors should review the pool statistics portion of the prospectus supplement for specific information about loan-to-value ratios for mortgage loans in their pool. Distinct prefixes designate any fixed-rate pool in which the loan-to-value ratios of the mortgage loans are (i) greater than 105% and less than or equal to 125% (CQ and CV), or (ii) greater than 125% (CR and CW). Further information about HARP may be found in "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Newly Originated Mortgage Loans***."

Permitted Variances

From time to time we make exceptions to the underwriting and eligibility standards set forth in our Selling Guide to acquire mortgage loans under specific variances (each, a "permitted variance") granted to specific mortgage loan sellers. We will acquire variance mortgage loans only from those mortgage loan sellers that have demonstrated the capacity, systems capabilities and experience to originate and service mortgage loans in compliance with the specific terms of the permitted variance. We manage variance mortgage loans by requiring the specific terms of the permitted variance to be set forth in the contract terms applied on a case-by-case basis to individual mortgage loan sellers. All of the other terms and requirements of our Selling Guide continue to apply to variance mortgage loans, including the mortgage loan seller's representations and warranties and the obligation to repurchase a variance mortgage loan that fails to meet the terms of the Selling Guide, as amended.

We evaluate, approve and monitor variances to our Selling Guide in a systematic fashion. We require the mortgage loan seller to provide us with its rationale and analysis for the variance request and then we analyze the proposed credit risk parameters of the variance, any proposed offsetting or compensating risk parameters, the experience of the seller in originating and servicing the proposed variance mortgage loans, the performance of variance mortgage loans previously originated and serviced by the seller, the ongoing performance metrics to be applied to the variance mortgage loans and the forecast impact of the proposed variance mortgage loans on our overall risk profile, acquisition characteristics and MBS performance. If we agree on the terms of a permitted variance with a mortgage loan seller, we may update our loan-level acquisition data edits to provide for the specific agreed features of the variance mortgage loan with the related seller. On an ongoing basis, we review and evaluate the performance of variance mortgage loans we have acquired to confirm that variance mortgage loans perform according to our expectations.

At any time, either before or after we acquire mortgage loans, we may modify our eligibility and loan underwriting requirements with respect to the mortgage loans we purchase if we determine that compensating factors are present. Before granting a waiver or modification, we evaluate the credit profile of the mortgage loans involved and determine whether the mortgage loans have characteristics (such as higher credit score or reduced loan-to-value ratio) that compensate for the proposed waiver or modification. For example, we may permit lenders to underwrite a mortgage loan using an automated underwriting system other than our own, provided that we have reviewed the alternative system and determined that it provides a similar measure of credit protection. Other examples where we may grant waivers or modifications include, but are not limited to, the following:

- use of a non-occupant co-borrower's income for the purpose of approving a mortgage loan, provided that the loan-to-value ratio of the mortgage loan is lower than our normal requirements and the non-occupant co-borrower is a family member;
- eligibility of a mortgage loan backed by a two-unit second home, provided that the property and occupancy are confirmed as typical and accepted in an identified and specific market; and
- delegation of authority to lenders to approve condominium or cooperative projects, provided that the lender has demonstrated the required expertise, resources and trained staff to undertake such reviews.

Although we believe that such compensating factors will provide us with protection against default, there is no assurance that the mortgage loans purchased in this manner will default or prepay at rates comparable to mortgage loans generally that meet our standard eligibility and loan underwriting requirements.

Appraisal Standards and Controls

Our goal is to acquire only those mortgage loans that the borrower is able to sustain, and a key factor we use to evaluate the sustainability of a borrower's home ownership is the value of the home and the borrower's equity in it. If a borrower defaults, we rely on capturing the value of the home to recover at least a portion of our mortgage loan. To evaluate the adequacy of the mortgaged properties as collateral for our investment, we require mortgage loan sellers to obtain appraisal reports with reliable opinions of market value on most of the mortgage loans that we acquire. We include detailed appraisal, property and project requirements in our Selling Guide to allow mortgage loan sellers to make prudent underwriting decisions and to assure that the mortgaged properties have the value to sustain home ownership and protect our interest.

In particular, we have developed common standards and requirements relating to appraisals as part of our ongoing effort with Freddie Mac and the FHFA to enhance the accuracy and quality of data required at mortgage loan delivery. Mortgage loan sellers are required to use the Uniform Collateral Data Portal® ("UCDP") to electronically submit appraisal reports prior to delivering the mortgage loan to us. The Uniform Appraisal Dataset® ("UAD"), which forms a part of the UCDP, defines all fields required for a complete appraisal submission and provides standardized definitions and responses for certain appraisal fields. We evaluate appraisal quality in part based on the appraiser's adherence to UAD when the appraisal file is submitted to the UCDP.

HARP Loans

Each HARP loan is originated as a refinancing of a mortgage loan that was closed on or before May 31, 2009. So long as a borrower meets the requirements of HARP summarized in "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Mortgage Loans Eligible for Refinancing***," we require no further underwriting of the mortgage loan.

Alternative or Reduced Documentation and No Documentation Mortgage Loans

Your pool may contain mortgage loans that were underwritten to guidelines allowing for reduced, alternative, or no documentation with respect to a borrower's income or assets. For mortgage loans with reduced, alternative, or no documentation, a lender typically relied more on the creditworthiness of the borrower (usually represented by credit score) and the value of the mortgaged property than it would have under a full documentation program. These mortgage loans may, in some cases, have higher interest rates than full documentation mortgage loans.

The speed at which you receive prepayments of principal may be affected by the presence of reduced, alternative, or no documentation mortgage loans in your pool. These mortgage loans (especially those originated in response to borrower-initiated requests) may have an increased likelihood of default, which may cause early prepayments of principal to you. On the other hand, these mortgage loans (especially those originated in response to borrower-initiated requests) may prepay more slowly than full documentation mortgage loans because the borrower may have fewer options for refinancing, which may result in a slower return of principal to you.

As a result of our decision to discontinue the purchase of newly originated reduced, alternative, or no documentation mortgage loans that we classify as Alt-A, other than those mortgage loans that are refinances of existing Fannie Mae mortgage loans, we expect our acquisition of Alt-A loans to continue to be minimal in the future. Nonetheless, your pool may contain Alt-A or other alternative, reduced or no documentation mortgage loans in any concentration. Please see the most recent annual report on Form 10-K we filed with the SEC and any subsequent quarterly reports on Form 10-Q for information on our acquisition and holdings of "Alt-A" loans, as well as a description of how we classify loans as "Alt-A" for reporting purposes.

Mortgage Loan Eligibility Standards—Government Insured Loans

Dollar Limitations

The Charter Act sets no maximum dollar limitations on the mortgage loans that we can purchase if the loans are FHA-insured or VA-guaranteed.

FHA loans: The maximum loan amount for single-family FHA mortgage loans is established by statute. We purchase FHA mortgage loans up to the maximum original principal amount that the FHA will insure for the area in which the property is located.

VA loans: Our current practice is to purchase single-family VA mortgage loans up to our general conforming loan limit. We may adjust this policy to accommodate future changes to VA's maximum guaranty amount limits.

Rural Development loans: There is no maximum dollar limit for single-family mortgage loans guaranteed by Rural Development. We purchase Rural Development mortgage loans up to our general conforming loan limit.

Loan-to-Value Ratios

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

Underwriting Guidelines

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

Seller and Servicer Eligibility

Before we approve a company to become a mortgage loan seller or to act as a direct servicer for us, we require that the company demonstrate the following to our satisfaction:

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

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

Seller Representations and Warranties

We identify the seller or sellers of the mortgage loans in a pool in the prospectus supplement. A mortgage loan seller may hold a beneficial interest in certificates backed by a pool of mortgage loans that the seller delivered to us.

We use a process of delegated underwriting in which specific representations and warranties are made to us about the characteristics of the mortgage loans we purchase. In some cases, the lender that sold the mortgage loans to our mortgage loan seller may be the party making some or all of the representations and warranties relating to the mortgage loans and may be responsible, solely or jointly with our mortgage loan seller, for the accuracy of these representations and warranties relating to the mortgage loans. We do not independently verify most of the borrower information that is provided to us.

In general, the representations and warranties relate to:

- compliance with our eligibility standards and with our underwriting guidelines;
- characteristics of the mortgage loans in each pool;
- compliance with applicable federal and state laws and regulations in the origination of the mortgage loans, including consumer protection laws and anti-predatory lending laws;
- compliance with all applicable laws and regulations related to authority to do business in the jurisdiction where a mortgaged property is located;
- our acquisition of mortgage loans free and clear of any liens;
- validity and enforceability of the mortgage loan documents; and
- the lien position of the mortgage.

Moreover, we hold each party making the representations and warranties relating to the mortgage loans responsible for fraud in the origination process, including fraud by a borrower or by a third party such as a mortgage loan broker or appraiser.

Quality Control Reviews

We rely on the representations and warranties made at the time of purchase to ensure that mortgage loans meet our eligibility standards. Nevertheless, after we purchase mortgage loans, we perform quality control reviews of selected loans to monitor compliance with our guidelines, our eligibility standards and applicable laws and regulations. Depending upon the applicable contractual provisions, we can require a mortgage loan seller, a lender that sold a mortgage loan to our mortgage loan seller, or a direct servicer to purchase a mortgage loan if we find a breach of the seller representations and warranties.

For conventional mortgage loans that we deposited into MBS pools with issue dates before January 1, 2013, we continue to perform quality control reviews on a random basis or when a mortgage loan becomes seriously delinquent or defaults. However, conventional mortgage loans that we deposited into MBS pools with issue dates on or after January 1, 2013 are governed by a different representation and warranty framework (the "2013 framework") under which the primary focus of our quality control reviews has changed from the time a mortgage loan defaults to shortly after the mortgage loan is delivered to us. As a result, we may determine much earlier in the life of a mortgage loan that there has been a breach of a representation and warranty related to the mortgage loan. Other changes made under the 2013 framework include augmenting the random sampling approach we previously used when selecting new mortgage loans for review with more targeted, discretionary loan selections. Our quality control review includes a review of the credit underwriting and eligibility of the borrower, the mortgaged property (including its value), and the project in which the mortgaged property is located, if applicable.

Under the 2013 framework, lenders may be relieved of certain repurchase obligations for mortgage loans that meet specific payment history requirements and other eligibility requirements. Our changed quality control review process allows us to determine much earlier in the life of a mortgage loan either that the mortgage loan is acceptable, which results in repurchase relief for the mortgage loan seller, or that there has been a breach of a representation and warranty related to the mortgage loan, which may lead to purchases of mortgage loans from pools earlier in their terms.

Methods for Mortgage Loan Sellers to Obtain Relief from Repurchase Requirements

As directed by FHFA, we and Freddie Mac have modified the 2013 framework for conventional loans deposited into MBS pools with issue dates on or after July 1, 2014. Under the 2014 modified framework, a mortgage loan seller may obtain relief from repurchase requirements for mortgage loans through two different methods: relief based on an acceptable payment history and relief based on a Fannie Mae quality control review.

Acceptable Payment History Method

Relief based on an acceptable payment history requires satisfaction of each of the following conditions:

For mortgage loans other than Refi Plus mortgage loans—

- Payment by the borrower of the first 36 monthly payments due following the date we acquired the mortgage loan, provided that the borrower:
    - has had no more than two instances of 30-day delinquencies during that time;
    - has had no 60-day or greater delinquencies; and
    - is not 30 or more days delinquent with respect to the 36th monthly payment.

For Refi Plus mortgage loans—

- Payment by the borrower of the first 12 monthly payments due following the date we acquired the mortgage loan, provided that the borrower has had no 30-day or greater delinquencies; **or**
- Payment by the borrower of the first 36 monthly payments due following the date we acquired the mortgage loan, provided that the borrower
    - has had no more than two instances of 30-day delinquencies during that time;
    - has had no 60-day or greater delinquencies; and
    - is not 30 or more days delinquent with respect to the 36th monthly payment.

Quality Control Review Method

For all mortgage loans, relief based on a Fannie Mae quality control review requires satisfaction of **one** of the following conditions:

- We complete the quality control review of the loan file and determine that the mortgage loan is acceptable;
- We complete the quality control loan file review, determine that the mortgage loan is not acceptable due to a selling deficiency that is permitted to be cured, and the mortgage loan seller cures the deficiency to our satisfaction; **or**
- We complete the quality control loan file review, determine that the mortgage loan is not acceptable due to a deficiency but may be eligible for a repurchase alternative that expires or terminates by its terms, in which case the mortgage loan seller will obtain relief upon the satisfactory expiration or termination of the repurchase alternative.

Our decision to grant repurchase relief to a mortgage loan seller does not waive our right as issuer to remove a mortgage loan from a pool for a breach of representations and warranties. Thus, we could, at any time, still remove a mortgage loan from a pool if we determine that a representation and warranty has been breached, even if we have previously granted repurchase relief.

For a discussion of how the purchase of a mortgage loan from your pool can affect the performance of the certificates, see "**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAY-**

MENT—Yield—*Purchases of Loans from Pools*—***We may purchase or require the purchase of some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate of principal payment on your certificates***."

Servicing Arrangements

We are responsible for supervising and monitoring the servicing of the mortgage loans as master servicer under the trust documents. We contract with the direct servicers to perform servicing functions under our supervision. The direct servicer often is the mortgage loan seller that sold us the mortgage loans. Any of the duties of the direct servicer also may be performed by the master servicer. A direct servicer may hold a beneficial interest in certificates backed by a pool containing mortgage loans that it services for us.

Direct servicers must meet the eligibility standards and performance obligations included in our Guides. All direct servicers are obligated to perform diligently all services and duties customary to servicing mortgage loans. We monitor the direct servicers' performance and have the right to remove any direct servicer with or without cause, including at any time that we consider its removal to be in the best interests of the certificateholders. If we remove a direct servicer, we may be required to pay compensation to the direct servicer, depending upon the reason for the removal. We may then enter into a servicing contract with another entity that has been approved as a direct servicer to assume servicing responsibilities for the mortgage loans that were being serviced by the former direct servicer. In the alternative, we may assume the role of direct servicer, in which case we would enter into a servicing contract with a subservicer.

Duties performed by a direct servicer may include general loan servicing responsibilities, collecting and remitting payments on the mortgage loans, administering mortgage escrow accounts, collecting insurance claims and, if necessary, making servicing advances and foreclosing on defaulted mortgage loans. Until direct servicers remit to us the payments on mortgage loans that have been collected from borrowers, they must deposit the collections into custodial accounts. See "**THE TRUST DOCUMENTS—Collection and Other Servicing Procedures—*Custodial Accounts***" for a more detailed description of custodial accounts and other requirements applicable to collections from borrowers.

The Guides describe in detail the conditions under which direct servicers may be required to make servicing advances and to foreclose on mortgage loans. Fannie Mae may, from time to time, acquire the servicing rights and become the direct servicer for mortgage loans, in which case we may use a subservicer to conduct the servicing functions. In the case of a transfer to us of the servicing rights of those loans, the disclosure in our ongoing disclosures for a particular pool will identify "Fannie Mae" as the servicer.

Direct servicers are permitted to decide in their discretion whether certain servicing guidelines may be waived for a specific mortgage loan. The waiver of other guidelines may require our consent. Our Guides specify the waivers that require our consent at any specific time.

Any agreement between a direct servicer and us governing the servicing of the mortgage loans held by a trust is a contract solely between the direct servicer and us. Certificateholders will not be deemed to be parties to any servicing agreement and will have no claims, rights, obligations, duties, or liabilities with respect to the direct servicer. We, in our capacities as guarantor and trustee, are a third-party beneficiary of each of these agreements. This means that we may pursue remedies against direct servicers in our capacities as guarantor and trustee if the master servicer or direct servicer fails to take action after receiving notice of a breach.

We may resign from our duties as master servicer under the trust documents upon providing 120 days advance notice to the trustee and to the guarantor. After that time, the trustee would become master servicer until a successor has assumed our duties as master servicer. Even if our duties as master servicer under the trust documents terminate, we would remain obligated under our guaranty as guarantor.

Servicing Compensation and Payment of Certain Expenses

Unless otherwise stated in the prospectus supplement, each month the direct servicer receives and retains as a servicing fee a portion of the interest collected on the mortgage loans that is not required to be paid to certificateholders. Unless the prospectus supplement states otherwise, the direct servicer also receives and retains any prepayment premiums and may retain all or a portion of assumption fees, late payment charges and other similar charges, to the extent they are collected from borrowers. The trust pays all the expenses that it incurs. We are entitled to the investment income from collections on the mortgage loans for services to the trust in our various capacities as master servicer and trustee.

We typically require an annual minimum servicing fee of 0.25% for each mortgage loan in our pools. If a pool contains mortgage loans with an annual minimum servicing fee that is less than 0.25%, we will indicate this feature by using a special prefix in the prospectus supplement. A direct servicer initially may deliver for securitization mortgage loans for which the annual servicing fee is greater than the required annual minimum servicing fees. We refer to the difference between the annual servicing fees being charged and the required annual minimum servicing fees as "excess servicing." A direct servicer may choose to have this excess servicing separately securitized by us; however, no portion of the required annual minimum servicing fee may be separately securitized. Certificateholders have no right to any excess servicing that has been separately securitized or designated for securitization. Securitization of any excess servicing after the issue date of an issuance of certificates will not affect the rate of interest passed through to certifcateholders.

THE TRUST DOCUMENTS

The certificates offered hereby are issued pursuant to the terms of the trust documents. We have summarized below certain provisions of the trust documents. This summary is not complete and may be modified by specific provisions described in the prospectus supplement for a specific issuance of certificates. If there is any conflict between the information in this prospectus and the specific provisions of the trust documents, the terms of the trust documents will govern. You may obtain a copy of the trust agreement from our Web site at www.fanniemae.com or from our Washington, DC office. You may obtain a copy of the issue supplement that applies to your issuance of certificates from our Washington, DC office.

The trust documents do not provide the trustee with any authority to issue or invest in additional securities, to borrow money, or to make loans.

Fannie Mae Guaranty

We are the guarantor under the trust documents. We guarantee to each trust that we will supplement amounts received by the trust as required to permit payments on the certificates on each distribution date in an amount equal to:

- one month's interest on the certificates, as described under "**DESCRIPTION OF THE CERTIFICATES—Distributions on Certificates—*Interest Distributions***," plus
- the aggregate amount of scheduled and unscheduled principal payments described under "**DESCRIPTION OF THE CERTIFICATES—Distributions on Certificates—*Principal Distributions***."

For fixed-rate pools, we guarantee payment of interest at the fixed pass-through rate specified in the prospectus supplement. For adjustable-rate pools, we guarantee payment of interest at the then-current variable pool accrual rate.

In addition, we guarantee to each trust that we will supplement amounts received by the trust as required to make the full and final payment of the unpaid principal balance of the certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the certificates. For providing this guaranty, we receive a fee payable from a portion of the interest collected on the mortgage loans that is not required to be paid to certificateholders.

If a direct servicer informs us that a borrower has become subject to the Servicemembers Civil Relief Act or any similar federal or state laws that provide interest rate ceilings or other credit-related relief to members of the armed forces (a "Relief Act"), and we have not exercised our option to purchase the mortgage loan from the pool (as described below), we will make payments to the trust under our guaranty for the difference between the amount of interest actually received from the borrower and the amount of interest calculated without regard to the Relief Act.

If we were unable to perform our guaranty obligations, certificateholders would receive from the related trust only the payments actually made by borrowers, any delinquency advances made by the direct servicer, and any other recoveries on the mortgage loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. As a result, delinquencies and defaults on the mortgage loans would directly affect the amount of principal and interest that certificateholders would receive each month. In that case, distributions of principal and interest on the mortgage loans would be made in the sequence specified below (to the extent the following amounts are due but not already paid):

- *first*, to payment of the trust administration fee and other amounts due to the trustee (see "**—Certain Matters Regarding Our Duties as Trustee**");
- *second*, (i) to payment of any securitized excess servicing fees and of any excess servicing fees that were designated to be securitized and (ii) if so provided in the related servicing contract, to payment of all servicing fees (described below), any excess servicing fees that were not securitized or designated for securitization, and all lender-paid mortgage insurance charges (see "**FANNIE MAE PURCHASE PROGRAM—Servicing Compensation and Payment of Certain Expenses**");
- *third*, to reimbursement of any unreimbursed delinquency advances previously made by the direct servicer or master servicer from its own funds, to the extent those advances are deemed non-recoverable by the advancing party;
- *fourth*, to payment of interest on the certificates; and
- *last*, all remaining funds to payment of principal on the certificates.

Our guaranty runs directly to each trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. See "**—Certificateholders' Rights Upon a Guarantor Event of Default**." Certificateholders also have limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. The amount that may be recovered from Treasury is subject to limits imposed by the senior preferred stock purchase agreement. For a description of certificateholders' rights to proceed against Treasury, see "**FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement**."

We alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates 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.

Purchases of Mortgage Loans from Pools

Under the trust documents, we are required in some instances and have the option in other instances to purchase a mortgage loan from a pool. Moreover, under certain conditions, we have the right to require a mortgage loan seller to purchase a mortgage loan from a pool. In each instance, the purchase price for a mortgage loan will be equal to the stated principal balance of the loan plus one month's interest at the pass-through rate for a fixed-rate loan or at the then-current pool accrual rate for an ARM loan. The purchase of a mortgage loan will result in a prepayment of principal in full in the same manner as would a borrower's prepayment in full. **See "RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Yield—***Purchases of Loans from Pools*."

The trust documents permit a trust to own real estate acquired as a result of a default ("real estate owned property" or "REO property." However, it is our practice to purchase a defaulted mortgage loan from the related trust before beginning foreclosure proceedings; we do not foreclose upon a mortgage loan in the name of the trust. As a result, we do not anticipate that a trust will own REO at any time.

Mandatory Purchases by Issuer

We are required as the issuer of the certificates to purchase a mortgage loan from a pool for the reasons specified below. The time period within which we must purchase the mortgage loan varies depending upon the reason for the purchase.

First, if any of the following events occurs, we must purchase, or cause the mortgage loan seller to purchase, the affected mortgage loan from a pool as soon as practicable:

- we, a court or our regulator determines that our acquisition of the mortgage loan was unauthorized;
- a court or governmental agency requires us to purchase the mortgage loan from the pool to comply with applicable law;
- a governmental agency or court requires one of the following:
  - the transfer of the mortgage loan or mortgaged property (other than a transfer to a co-borrower or a transfer permitted under the mortgage loan documents or the trust documents), including a transfer required as a result of an environmental hazard or as part of a settlement of a legal controversy, or
  - the full or partial destruction of any improvements located on the mortgaged property if, as a result, the remaining improvements are rendered uninhabitable or unsafe or the value of the property no longer provides adequate security for the mortgage loan; or
- an insurer or guarantor of the mortgage loan or the mortgaged property (other than Fannie Mae under our guaranty) requires transfer to it of the loan to obtain the benefits of the mortgage insurance or guaranty.

Second, for certain pools (designated by prefix, subtype, or special disclosure), we must purchase, or require the seller of the mortgage loan to purchase, the affected loan from a pool before the effective date of any of the following events:

- a borrower elects to convert an ARM loan to a fixed-rate mortgage loan pursuant to the terms of the related mortgage note;
- a borrower elects to change the applicable index for an ARM loan pursuant to the terms of the related mortgage note;
- a borrower exercises a conditional modification option in the related mortgage documents (other than a modification resulting from a transfer or assumption that is permitted under the mortgage documents or the trust documents), if giving effect to the modification would
  - reduce the principal balance of the mortgage loan below its stated principal balance,
  - change the interest rate on the mortgage loan to the extent that the change would affect the pass-through rate, pool accrual rate, or the securitized excess servicing or any

excess servicing that has been identified for later securitization (unless we own the excess spread identified for later securitization), or

  - delay the timing of payments beyond the scheduled maturity date of the mortgage loan;

- the direct servicer and the borrower have agreed to a modification of the mortgage loan in lieu of a refinance as part of the direct servicer's borrower retention strategy (provided that the loan is not in payment default); or
- the mortgage margin or the maximum or minimum interest rate on an ARM loan changes as a result of an assumption of the loan by a new borrower.

Third, if the mortgage loan is in default with respect to payments of principal and interest, we must purchase the affected loan from the pool no later than the date on which the loan becomes 24 months past due, measured from the date on which the last installment of interest and, if required, principal was paid in full, unless one of the following has occurred or is occurring with respect to the loan:

- the borrower is complying with a loss mitigation alternative under which past due payments are required to be paid in full and the mortgage loan is required to be brought current;
- the borrower and the direct servicer or master servicer are pursuing a preforeclosure sale of the related mortgaged property or a deed-in-lieu of foreclosure;
- the direct servicer or master servicer is pursuing foreclosure of the mortgage loan;
- applicable law (including bankruptcy law, probate law or a Relief Act) requires that foreclosure on the related mortgaged property or other legal remedy against the borrower or related mortgaged property be delayed and the period for delay or inaction has not elapsed;
- the mortgage loan is in the process of being assigned to the insurer or guarantor (other than to Fannie Mae under our guaranty) that provided any related mortgage insurance; or
- any other event occurs or course of action is taken as a result of which the period before the required purchase of the mortgage loan from the pool may be extended without adverse tax consequences to the trust (as evidenced by an opinion of tax counsel satisfactory in form and substance to the issuer and the trustee).

Fourth, on the final distribution date for any trust, we must purchase from a pool any outstanding mortgage loan remaining in the pool on that date.

Optional Purchases by Issuer

The trust documents provide that we, as issuer of the certificates, may purchase a mortgage loan from a pool for any of the following reasons:

- the existence of a material breach of a representation or warranty relating to the mortgage loan that was made in connection with the sale of the loan to us or a material defect in the related mortgage loan documents;
- the failure of the mortgage loan to conform in any material respect to its description in the prospectus supplement or issue supplement;
- an assumption of the mortgage loan or a transfer of an interest in the related mortgaged property (or a transfer of an interest in the borrower) under circumstances that would trigger acceleration under a due-on-sale provision reasonably believed by either the master servicer or direct servicer to be enforceable under the terms of the mortgage note and the trust documents; or
- the master servicer or trustee is advised by counsel (other than inside counsel and employees of the transferor with respect to the trust) that removal of the mortgage loan

from the trust is necessary or advisable to preserve the fixed investment trust status of the trust for federal income tax purposes.

Optional Purchases by Guarantor

The trust documents also provide that we, as guarantor, may purchase a mortgage loan from a pool for any of the following reasons:

- the mortgage loan has been in a state of continuous delinquency without having been fully cured with respect to payments required by the related mortgage loan documents during the period extending from the first missed payment date through the fourth consecutive payment date (or through the eighth consecutive payment date, in the case of a biweekly mortgage loan), without regard to
  - whether any particular payment was made in whole or in part during the period extending from the earliest payment date through the latest payment date,
  - any grace or cure period with respect to the latest such payment date under the related mortgage documents, and
  - any period during which a loss mitigation alternative is in effect (unless the loss mitigation alternative is deemed to have cured the payment default, in which case the previous delinquency with respect to the mortgage loan will be disregarded for purposes of calculating future delinquency on the loan);
- the mortgage loan has been in a state of continuous delinquency without having been fully cured with respect to payments required by the related mortgage loan documents during the period extending from the first missed payment date through the second consecutive payment date (or through the fourth consecutive payment date, in the case of a biweekly mortgage loan), without regard to
  - whether any particular payment was made in whole or in part during the period extending from the earliest payment date through the latest payment date,
  - any grace or cure period with respect to the latest such payment date under the related mortgage documents, and
  - any period during which a loss mitigation alternative is in effect (unless the loss mitigation alternative is deemed to have cured the payment default, in which case the previous delinquency with respect to the mortgage loan will be disregarded for purposes of calculating future delinquency on the loan);

provided, however, that we may purchase a mortgage loan pursuant to this provision only if, in connection with loss mitigation efforts, the master servicer or the direct servicer concludes, in its reasonable judgment and after evaluating a borrower's financial condition as well as the circumstances affecting the related mortgaged property, that a loss mitigation measure having one or more of the following effects (or that is otherwise impermissible under the trust documents) is appropriate:

  - the loss mitigation measure would reduce the principal balance of a mortgage loan below its stated principal balance,
  - the loss mitigation measure would change the note rate to the extent the change would affect the pass-through rate, pool accrual rate, or the securitized excess servicing or excess servicing that has been identified for later securitization (unless we own the identified excess spread), or
  - the loss mitigation measure would delay the time of payment beyond the last scheduled payment date of that mortgage loan (subject to certain provisions set forth in the trust documents);

- the related mortgaged property is acquired by the trust as REO property (although, as noted above, we do not anticipate that a trust will own REO at any time);
- a court approves a plan that:*
  - affects any of the following terms of the mortgage loan: its interest rate, its principal balance, the amount or timing of its principal or interest payments, its term or its last scheduled payment date, or
  - authorizes the transfer or substitution of all or part of the related mortgaged property;
- compliance with applicable laws (including a Relief Act) requires a change in any of the terms of the mortgage loan (including a change in its interest rate, its principal balance, its amortization schedule, the timing of payments or its last scheduled payment date);* or
- the mortgage loan is no longer secured by the related mortgaged property and, as a result, the maturity of the loan is accelerated).*

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* Purchases of mortgage loans from portfolio pools for this reason may be made only during a limited period. See "***—Limitations on Timing of Certain Optional Purchases for Portfolio Pools***."

See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments Resulting from Servicing Policies and Practices Regarding Troubled Loans***" for a more complete discussion of loss mitigation measures used by us and our direct servicers

In deciding whether and when to purchase a mortgage loan from a pool in our capacity as issuer or guarantor, we consider a variety of factors, including our legal ability or obligation to purchase loans under the terms of the trust documents; our mission and public policy; our loss mitigation strategies and the exposure to credit losses we face under our guaranty; our cost of funds; the impact on our results of operations; relevant market yields; the accounting impact; the administrative costs associated with purchasing and holding the loans; counterparty exposure to lenders that have agreed to cover losses associated with delinquent loans; general market conditions; our statutory obligations under the Charter Act; and other legal obligations, including those established by consumer finance laws. The weight we give to these factors changes depending on market circumstances and other factors.

Limitations on Timing of Certain Optional Purchases from Portfolio Pools

The trust documents limit the time period in which we, in our role as guarantor, may choose to purchase a mortgage loan from a portfolio pool if the loan is eligible for purchase for one of the reasons listed in "***—Optional Purchases by Guarantor***" and marked with *. In that case, we may purchase the mortgage loan only during a period beginning on the first day of the fiscal quarter immediately following the fiscal quarter in which we receive notice of the reason for the purchase and ending on the last day of that fiscal quarter. For example, if we receive notice on January 2 of a bankruptcy plan affecting a mortgage loan and choose to purchase that loan, we may purchase the loan only during the period beginning on April 1 and ending on June 30 of the same year.

Purchases to Modify Performing Mortgage Loans

We allow lenders to purchase from a pool and then modify certain non-performing mortgage loans under terms specified in the trust documents and in our servicing policies and procedures. We generally prohibit a lender from (i) purchasing a performing mortgage loan from a pool for the purpose of making loan modifications, or (ii) modifying a performing loan that is in a pool. Nevertheless, we make an exception in the case of certain pools of ARM loans. If so permitted in a lender's servicing contract with us, the lender may purchase performing ARM loans from these pools to modify the loans as part of the lender's borrower retention strategy. The lender's purchases, however, must comply with our policy prohibiting lenders from specifically targeting in their solicitations borrowers whose performing mortgage loans are in our pools. Notwithstanding the foregoing, lenders are permitted to solicit refinancings from borrowers whose performing mortgage loans are in our pools under the circumstances discussed in "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Mortgage Loans Eligible for Refinancing***."

Mortgage loans that are modified must first be purchased from the related pool, which will result in early prepayments of principal on the certificates in the same manner as borrower prepayments in full. We will specify in a prospectus supplement and by a separate subtype designation if a pool of performing ARM loans is subject to purchase for the purpose of modification. See "**THE MORTGAGE LOAN POOLS—Pool Prefixes and Subtypes**" for information about subtype designations.

Substitution of Mortgage Loans in Pools

Although the trust documents permit us to withdraw a mortgage loan from the related pool and substitute another mortgage loan in its place, we generally do not permit substitutions of mortgage loans. In any case, a substitution of a mortgage loan is permitted only if

- there is a material breach of a representation or warranty made in connection with the sale of that mortgage loan to us,
- there is a material defect in the related mortgage loan documents, or
- the mortgage loan does not conform in any material respect to the description contained in the applicable prospectus or prospectus supplement or in the related trust issue supplement.

Each substitution must take place within the same due period in which the withdrawal occurs. In addition, each substitution must occur within two years from the issue date of the related certificates, in the case of an event described in the first or second bullet point above, or within 90 days from the issue date of the related certificates, in the case of the third bullet point above.

Any substitute mortgage loan must satisfy the following criteria at the time of substitution:

- the substitute mortgage loan is not delinquent as to any payment;
- the substitute mortgage loan's outstanding principal balance does not exceed the stated principal balance of the withdrawn mortgage loan at the time of the withdrawal;
- the mortgaged property securing the substitute mortgage loan is located in the same state or U.S. territory as the mortgaged property securing the withdrawn mortgage loan;
- if the withdrawn mortgage loan has a fixed rate of interest, the substitute mortgage loan has a fixed rate of interest that is not less than the interest rate of the withdrawn mortgage loan;
- if the withdrawn mortgage loan is an ARM loan, the substitute mortgage loan is an ARM loan with (i) the same or a similar adjustment index, (ii) the same frequency of adjustments, and (iii) margin, interest rate caps and payment caps that are each within 1% of those of the withdrawn mortgage loan;
- if the withdrawn mortgage loan is an interest-only mortgage loan, the substitute mortgage loan is an interest-only mortgage loan with the same or a substantially similar interest-only period;
- if the withdrawn mortgage loan is a negative amortization mortgage loan, the substitute mortgage loan is a negative amortization mortgage loan;

- the substitute mortgage loan has a last scheduled payment date no later than, and no more than two years earlier than, the last scheduled payment date of the withdrawn mortgage loan;
- if the withdrawn mortgage loan is a government mortgage loan, the substitute mortgage loan is a government mortgage loan under the same governmental program with the same type of insurance or guaranty; and
- if the withdrawn mortgage loan is a participation interest in a mortgage loan, the substitute mortgage loan is a participation interest in a mortgage loan

Not later than the first distribution date after the substitution, we will deposit into the related certificate account the amount, if any, by which the stated principal balance of the withdrawn mortgage loan (after giving effect to any principal distributions made on the immediately preceding distribution date or any additions to principal resulting from negative amortization during the immediately preceding due period) exceeds the unpaid principal balance of the substitute mortgage loan on the first day of the month of substitution, together with one month's interest on that excess principal amount calculated at the net rate on the withdrawn mortgage loan. (The net rate equals, for a fixed-rate mortgage loan, the pass-through rate for the related pool, and for an ARM loan, the loan interest rate minus the spread rate specified in the related issue supplement.)

Collection and Other Servicing Procedures

We are responsible as the master servicer under the trust documents for certain duties. Our duties include entering into contracts with direct servicers to service the mortgage loans, supervising and monitoring the direct servicers, ensuring the performance of certain servicing functions if the direct servicer fails to do so, establishing certain procedures and records for each trust, and taking additional actions as set forth in the trust documents. Any of the duties of the direct servicer may also be performed by the master servicer. The direct servicers collect payments from borrowers and may make servicing advances, foreclose upon defaulted mortgage loans, and take other actions as set forth in the trust documents. See **"FANNIE MAE PURCHASE PROGRAM—Seller and Servicer Eligibility"** for information on our direct servicer requirements. Our direct servicers may contract with subservicers to perform some or all of the servicing activities. In addition, we may, from time to time, acquire the servicing rights and become the direct servicer for mortgage loans, in which case we may use a subservicer to conduct the servicing functions. If the servicing rights are transferred to us, the disclosure in our ongoing disclosures for a particular pool will specify "Fannie Mae" as the servicer.

Custodial Accounts

Direct servicers are responsible for collecting payments from borrowers and remitting those payments to us for distribution to certificateholders. No later than two business days following a direct servicer's receipt of collections from borrowers, the collections must be deposited into a demand deposit account or an account through which funds are invested in specified eligible investments. These accounts, called custodial accounts, must be established with eligible depositories and held in our name as master servicer or as trustee for the benefit of the certificateholders or held in the name of the direct servicer as our agent, trustee or bailee unless otherwise specified in the related servicing contract. An eligible depository may be a (i) Federal Reserve Bank, (ii) Federal Home Loan Bank or (iii) financial institution that has its accounts insured by the Federal Deposit Insurance Corporation ("FDIC"), the National Credit Union Share Insurance Fund ("NCUSIF") or another governmental insurer or guarantor that is acceptable to us, satisfies the capital requirements of its regulator, and meets specified minimum financial ratings provided by established rating agencies.

During the one-to-two business day period between a direct servicer's receipt of collections from borrowers and its deposit of those collections into a custodial account, the direct servicer may hold the funds from collections in (x) a deposit account insured by the FDIC, the NCUSIF or other governmental guarantor or insurer acceptable to us, or (y) a clearing account at an eligible depository. The funds from collections held in such an account for that period may be commingled with funds from collections on other mortgage loans without regard to their ownership. In addition, if the related servicing contract so permits, for a period of no more than one business day before the date on which funds from collections are to be remitted to Fannie Mae, a direct servicer may hold the funds from collections in a consolidated drafting account and commingle the funds with funds from collections on other mortgage loans held in other Fannie Mae trusts.

A direct servicer may commingle funds held in custodial accounts with funds from collections on other mortgage loans held in other Fannie Mae trusts. In addition, if a mortgage loan was transferred to a portfolio pool, funds from collections on that loan may be commingled with funds from collections on other mortgage loans owned by Fannie Mae and serviced by the same direct servicer even if the mortgage loans are not held in a Fannie Mae trust.

Insured custodial account funds may be entitled to limited benefits under governmental insurance, subject to the rules and regulations of the FDIC or NCUSIF, in the case of a receivership or similar proceeding of an eligible depository. Governmental entities may, from time to time, take measures to alleviate the risk of insurance not being adequate. However, there can be no assurance (i) that any governmental actions will be sufficient to alleviate this risk completely, or (ii) as to how long any measures taken by the governmental entities will remain in effect. If the insurance were inadequate to cover amounts due to certificateholders, we would make payments to cover any amounts required to be paid to certificateholders under the terms of the certificates.

If the related servicing contract so permits, a direct servicer may be permitted to retain interest and investment earnings on funds on deposit in the custodial accounts. Certificateholders are not entitled to any earnings generated from funds in the custodial accounts and are not liable for any losses in the custodial accounts.

Certificate Accounts

Our direct servicers remit borrower collections to us monthly for distribution to certificateholders. These funds are deposited into a certificate account at an eligible depository. Funds held in a certificate account are held by us as trustee in trust for the benefit of certificateholders pending distribution to certificateholders. Amounts in any certificate account are held separately from our general corporate funds but are commingled with funds for other Fannie Mae trusts and are not separated on a trust-by-trust basis. We may invest funds in any certificate account in specified eligible investments, including our own debt instruments. We currently invest substantially all funds in certificate accounts in our own debt instruments. If we were unable or unwilling to continue to do so, the timing of incremental intra-day distributions made on each distribution date could be affected. We are entitled to retain all earnings on funds on deposit in each certificate account as a trust administration fee. See "**—Certain Matters Regarding Our Duties as Trustee**" for a description of the trust administration fee. Direct servicers and certificateholders are not entitled to any earnings generated from funds in a certificate account and are not liable for any losses in a certificate account.

Master Servicer

We may resign as master servicer at any time by giving 120 days' written notice of the resignation to the trustee and the guarantor. We may not be removed as master servicer by the trustee or certificateholders unless a guarantor event of default has occurred and is continuing.

If a guarantor event of default has occurred and is continuing while we are the master servicer, the trustee may, or at the direction of holders representing at least 51% of the voting rights of the related trust, the trustee will, terminate all of the rights and obligations of the master servicer with respect to only that trust and the related mortgage loans and their proceeds, by notifying the master servicer of the removal in writing.

Removal of Successor Master Servicer

If Fannie Mae is no longer serving as the master servicer and a successor master servicer has been appointed, the trust documents provide that the successor master servicer for an issuance of certificates may be removed upon any of the following "servicing events of default":

- the successor master servicer fails to remit, or cause a direct servicer to remit, funds for deposit to a certificate account on the applicable remittance date for payment to certificateholders, and the failure continues uncorrected for one business day after written notice of the failure has been given to the successor master servicer by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer fails to perform in any material respect any of its other covenants and agreements, and the failure continues uncorrected for 60 days after written notice of the failure has been given to the successor master servicer by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer ceases to be eligible to serve as master servicer under the terms of the trust documents; or
- the successor master servicer becomes insolvent, a conservator, receiver or liquidator is appointed (either voluntarily or involuntarily and in the case of an involuntary appointment, the order appointing the conservator, receiver or liquidator has been undischarged or unstayed for 60 days) or the successor master servicer admits in writing that it is unable to pay its debts.

If any servicing event of default occurs with respect to a trust and continues uncorrected, the trustee may or, at the direction of holders of certificates representing at least 51% of the voting rights of that trust, the trustee will, terminate the rights and obligations of the successor master servicer with respect to only that trust and the related mortgage loans and their proceeds, by notifying the master servicer of the removal in writing.

A successor master servicer appointed immediately following a voluntary resignation of Fannie Mae as master servicer may be removed by the guarantor or, if a guarantor event of default has occurred and has not been cured, by the trustee upon not less than 60 days' written notice to the successor master servicer.

Certain Matters Regarding Our Duties as Trustee

We serve as trustee under the trust documents and receive a fee for our services to each trust, which is payable from the interest and other earnings on the related certificate accounts. See "—**Fannie Mae Guaranty**" for a description of the payment priorities. Under the trust documents, the trustee may consult with and rely on the advice of counsel, accountants and other advisors. The trustee will not be responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or if we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations to each trust as guarantor under the Fannie Mae guaranty.

We are indemnified by each trust for actions we take in our capacity as trustee in connection with the administration of that trust. Officers, directors, employees and agents of the trustee are also indemnified by each trust with respect to that trust. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith, gross negligence or willful disregard of our duties.

The trust documents provide that the trustee may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of certificateholders. We may be reimbursed for the legal expenses and costs of the action from the assets of the related trust.

We may resign from our duties as trustee under the trust documents at any time. Our resignation will become effective only by providing 90 days notice to the guarantor and upon the effectiveness of an appointment of a successor trustee (which may occur during the 90 days). We may be removed as trustee only if a "guarantor event of default" has occurred with respect to a trust. See "**—Guarantor Events of Default**." In that case, we can be removed (and then replaced by a successor trustee) as to the related trust by holders of certificates representing at least 51% of the voting rights of that trust. Even if our duties as trustee under the trust documents terminate, we would continue to be obligated under our guaranty.

Removal of Successor Trustee

If Fannie Mae is no longer serving as the trustee and a successor trustee has been appointed, the trust documents provide that the successor trustee for an issuance of certificates may be removed upon any of the following "trustee events of default":

- with respect to the related trust, the successor trustee fails to deliver to the paying agent all required funds for distribution (to the extent the successor trustee has received the related funds), and the failure continues uncorrected for 15 days after written notice to the successor trustee of nonpayment and a demand that the failure be cured has been given to the successor trustee by either the guarantor (except when a guarantor event of default has occurred and is continuing) or the holders of certificates representing at least 5% of the voting rights of the related trust;
- with respect to the related trust, the successor trustee fails to fulfill any of its other material obligations under the trust documents, and the failure continues uncorrected for 60 days after written notice to the successor trustee of the failure and a demand that the failure be cured has been given to the successor trustee by either the guarantor (except when a guarantor event of default has occurred and is continuing) or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor trustee ceases to be eligible to serve as successor trustee under the terms of the trust documents and fails to resign;
- the successor trustee becomes substantially incapable of acting as trustee, or a court or the regulatory entity that has primary supervisory authority over the successor trustee determines, under applicable law and regulation, that the successor trustee is unable to remain as trustee; or
- the successor trustee becomes insolvent, a conservator or receiver is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order appointing the conservator or receiver has been undischarged or unstayed for 60 days) or the successor trustee admits in writing that it is unable to pay its debts.

If any trustee event of default occurs with respect to a trust and continues uncorrected, the guarantor (or if a guarantor event of default has occurred and is continuing, the master servicer) may, and if directed by holders of certificates representing at least 51% of the voting rights of the related trust will, remove the successor trustee and appoint a new successor trustee.

A successor trustee may also be removed without cause by the guarantor at any time (unless a guarantor event of default has occurred and is continuing) and, upon such removal, the guarantor may appoint another successor trustee within 90 days after the date that notice is given to the former successor trustee.

Guarantor Events of Default

Any of the following events will be considered a "guarantor event of default" for an issuance of certificates:

- we fail to make a required payment under our guaranty, and our failure continues uncorrected for 15 days after written notice of the failure and a demand that the failure be cured has been received by us from the holders of certificates representing at least 5% of the voting rights of the related trust;
- we fail in any material way to fulfill any of our other obligations under the trust documents, and our failure continues uncorrected for 60 days after written notice of the failure and a demand that the failure be cured has been received by us from the holders of certificates representing at least 25% of the voting rights of the related trust; or
- we become insolvent, a receiver or a new conservator is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order appointing the receiver or new conservator has been undischarged or unstayed for 60 days) or we admit in writing that we are unable to pay our debts.

Certificateholders' Rights Upon a Guarantor Event of Default

Certificateholders generally have no right under the trust documents to institute any proceeding against us with respect to the trust documents. Certificateholders may institute such a proceeding only if a guarantor event of default has occurred and is continuing and

- the holders of certificates representing at least 25% of the voting rights of the related trust have requested in writing that the trustee institute the proceeding in its own name as trustee; and
- the trustee has neglected or refused to institute any proceeding for 120 days.

The trustee will be under no obligation to take any action or to institute, conduct or defend any litigation under the trust documents at the request, order or direction of any certificateholder unless the certificateholders have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities that the trustee may incur.

Future Limitations on Certificateholders' Rights Under the Trust Documents

Certificateholders' rights may be limited during a receivership or future conservatorship. If we are placed into receivership or if we emerge from the current conservatorship and are placed into conservatorship once again, certificateholders' rights to remove us as master servicer or trustee may be restricted. In addition, if we are placed into receivership or are again placed into conservatorship, FHFA will have the authority to repudiate or transfer our guaranty obligations as well as our other obligations under the trust documents for each issuance of certificates. If that occurred, certificateholders would have only the right to proceed against Treasury that is described in **"FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement."** See also **"RISK FACTORS—RISKS RELATING TO CREDIT—Fannie Mae Credit Factors."**

Voting Rights

Solely for purposes of giving any consent pursuant to the trust documents, if any certificate is beneficially held by a party, including us, determined under applicable accounting rules to be the transferor (including its affiliates or agents) of mortgage loans, the certificate will be disregarded and deemed not to be outstanding for purposes of determining voting rights. As a result, the voting rights to which that party is entitled will not be taken into account in determining whether the requisite percentage of voting rights necessary to effect any such consent has been obtained, except with respect to matters involving an event of default by the guarantor or matters requiring unanimous consent of the certificateholders. If, however, the party determined to be a transferor owns 100% of the certificates of that issuance of certificates, the certificates owned by the party may be voted without restriction.

Certificates that are beneficially held by us, as guarantor, will be disregarded and deemed not to be outstanding for purposes of determining whether a guarantor event of default has occurred and is continuing or whether to remove the master servicer or trustee when a guarantor event of default has occurred and is continuing. In all other matters with respect to a trust, certificates that are beneficially owned by us, as guarantor, may be voted by us, as guarantor, to the same extent as certificates held by any other holder, unless we, as guarantor, are also a transferor with respect to that trust. If, however, we, as guarantor, beneficially own 100% of the certificates of a trust, those certificates owned by us, as guarantor, may be voted by us without restriction.

Amendment

No Consent Required

We may amend the trust documents for an issuance of certificates without notifying or obtaining the consent of the certificateholders to do any of the following:

- correct an error or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or the related prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that the cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents; or
- modify the trust documents to maintain the fixed investment trust status of a trust for federal income tax purposes.

An amendment to cure an ambiguity in, or supplement a provision of, the trust documents or to maintain the trust's fixed investment status that would otherwise require the consent of 100% of the certificateholders as described below cannot be made without that consent.

100% Consent Required

We may amend the trust documents for an issuance of certificates to take any of the following actions only with the consent of 100% of the certificateholders of the related issuance of certificates:

- terminate or change our guaranty obligations;
- reduce or delay payments to certificateholders;
- reduce the percentage requirement of certificateholders who must give their consent to any waiver or amendment; or
- take an action that materially increases the taxes payable in respect of a trust or affects the status of the trust as a fixed investment trust for federal income tax purposes.

51% Consent Required

We may amend the trust documents for any reason other than the reasons set forth in "***—No Consent Required***" and "***—100% Consent Required***" only with the consent of holders of certificates with aggregate certificate principal balances of at least 51% of the aggregate certificate principal balance of an issuance of certificates.

Termination

The trust will terminate with respect to an issuance of certificates when the certificate principal balance of the related pool has been reduced to zero and all distributions have been passed through to the related certificateholders. In no event will any trust continue beyond the last day of the 60th year following the issue date of that trust. We do ***not*** have any clean-up call option; that is, we cannot terminate any trust solely because the unpaid principal balance of the related pool declines to a specified amount or reaches a specified percentage of the original unpaid principal balance of the pool.

Merger

The trust documents provide that, if we merge or consolidate with another corporation, the successor corporation will be our successor under the trust documents and will assume all of our duties under the trust documents, including our guaranty.

MATERIAL 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 and is not written or intended to be used for the purpose of avoiding U.S. federal tax penalties. This discussion may not apply to your particular circumstances for various reasons including the following:

- This discussion reflects federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.
- This discussion addresses only certificates acquired by beneficial owners 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 tax consequences of the purchase, ownership or disposition of a certificate by a partnership. If a partnership holds a certificate, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.
- This discussion may be supplemented by a discussion in any applicable prospectus supplement.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisor 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.

For purposes of this discussion, the term "mortgage loan," in the case of a participation interest, means the interest in the underlying mortgage loan represented by that participation interest; and in applying a federal income tax rule that depends on the origination date of a mortgage loan or the characteristics of a mortgage loan at its origination, the term "mortgage loan" means the underlying mortgage loan and not the participation interest.

Internal Revenue Service Guidance Regarding the Certificates

In Revenue Ruling 84-10, 1984-1 C.B. 155, the Internal Revenue Service set forth certain federal income tax consequences relating to investments in the certificates issued with respect to a pool. Pursuant to Revenue Ruling 84-10, a pool will not be classified as an association taxable as a corporation for federal income tax purposes. Instead, a pool will be classified as a fixed investment trust, and, under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the "Code"), each beneficial owner of a certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the mortgage loans included in that particular pool.

Although Revenue Ruling 84-10 does not specifically address participation interests in mortgage loans, other IRS pronouncements clearly indicate that the holdings of Revenue Ruling 84-10 are equally applicable to a certificate backed by a pool consisting (in whole or in part) of participation interests. Revenue Ruling 84-10 also does not contemplate (i) the mandatory purchase of ARM loans from pools pursuant to a borrower's exercise of an option to convert an ARM to a fixed-rate mortgage loan, (ii) the difference between the biweekly payments of interest received under biweekly loans from mortgagors and the monthly payments of interest made to beneficial owners of certificates, or (iii) the differences between the principal and interest amounts received from mortgagors under mortgage loans that provide for the daily accrual of interest and the monthly payments of principal and interest made to beneficial owners of certificates. However, our special tax counsel, Dechert LLP, has rendered an opinion to us that the conclusions of Revenue Ruling 84-10 will be applicable to ARM pools, biweekly mortgage pools and pools that include mortgage loans providing for the daily accrual of interest.

Revenue Ruling 84-10 does not address the treatment of a transfer of mortgage loans to a multiple lender pool such as a Fannie Majors pool. A transfer of mortgage loans to a Fannie Majors pool will be treated as a taxable exchange between the lender transferring the mortgage loans and the beneficial owners of certificates in the pool at the time of transfer. You should consult your own tax advisor regarding the federal income tax consequences of a transfer of mortgage loans to a Fannie Majors pool.

Application of Revenue Ruling 84-10

Pursuant to the holdings of Revenue Ruling 84-10, a beneficial owner of a particular issuance of certificates must report on its federal income tax return its pro rata share of the entire income from each mortgage loan in that particular pool, consistent with the beneficial owner's method of accounting. The items of income from a mortgage loan include interest, original issue discount (discussed below), prepayment premiums, assumption fees and late payment charges, plus any amount paid by us as interest under our guaranty. A beneficial owner can deduct its pro rata share of the expenses of the trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting and subject to the discussion below.

A beneficial owner must also allocate its basis in a certificate among the mortgage loans included in that pool in proportion to the relative fair market values of those mortgage loans. If the basis allocated to a mortgage loan is less than the principal amount of that mortgage loan, the beneficial owner may have market discount with respect to that mortgage loan, and if the basis exceeds the principal amount, the beneficial owner may have premium with respect to that mortgage loan. Market discount and premium are discussed below.

Original Issue Discount

Certain mortgage loans may be issued with original issue discount ("OID") within the meaning of section 1273(a) of the Code. OID generally arises only with respect to ARM loans that provide for an incentive interest rate (sometimes referred to as a teaser rate) or mortgage loans, including ARM loans, that provide for the deferral of interest. If a mortgage loan is issued with OID, a beneficial owner must include the OID in income as it accrues, generally in advance of the receipt of cash attributable to such income. The descriptions set forth below in "***—Market Discount***" and "***—Premium***" may not be applicable for mortgage loans issued with OID. You should consult your own tax advisor regarding the accrual of market discount and premium on mortgage loans issued with OID.

Market Discount

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

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

Notwithstanding the above rules, market discount on a mortgage loan is considered to be zero if the discount is less than 0.25 percent of the principal balance of the mortgage loan multiplied by the number of complete years from the date the beneficial owner acquires an interest in the mortgage loan to the maturity of the mortgage loan (referred to as the market discount de minimis amount). The IRS has authority to provide regulations to adjust the computation of the market discount de minimis amount in the case of debt instruments, including mortgage loans, that provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that the market discount de minimis amount should be calculated using the remaining weighted average life of a mortgage loan rather than its final maturity. You should consult your own tax advisor regarding the ability to compute the market discount de minimis amount based on the final maturity of a mortgage loan.

Section 1272(a)(6)

Pursuant to regulations recently issued by Treasury, Fannie Mae is required to report OID and market discount in a manner consistent with section 1272(a)(6) of the Code. You should consult your own tax advisor regarding the effect of section 1272(a)(6) on the accrual of OID and market discount.

Premium

A beneficial owner that acquires a mortgage loan for more than its principal amount generally has premium with respect to that mortgage loan in the amount of the excess. In that event, the beneficial owner may elect to treat the premium as amortizable bond premium. This election is available only with respect to an undivided interest in a mortgage loan that was originated after September 27, 1985. If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (fully taxable bonds) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner's income by the portion of the premium allocable to the period based on the mortgage loan's yield to maturity. Correspondingly, a beneficial owner must reduce its basis in the mortgage loan by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on an ARM is determined by reference to an equivalent fixed-rate debt instrument constructed as of the date the beneficial owner acquires an interest in the ARM.

If a beneficial owner does not elect to amortize premium, (i) the beneficial owner must include the full amount of each interest payment in income, and (ii) the premium must be allocated to the principal distributions on the mortgage loan and, when each principal distribution is received, a loss equal to the premium allocated to that distribution will be recognized. Any tax benefit from premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the certificate. See "**—Sales and Other Dispositions of Certificates**."

Accrual Method Election

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

Expenses of the Trust

A beneficial owner's ability to deduct its share of the fee payable to the direct servicer, the fee payable to us for providing our guaranty and other expenses to administer the pool is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a certificate directly or through an investment in a pass-through entity (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Generally, 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 two percent of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in arriving at adjusted gross income.

In addition, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Sales and Other Dispositions of Certificates

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

The Taxpayer Relief Act of 1997 amended section 1271 of the Code to provide that amounts received by a beneficial owner on retirement of any mortgage loan of a natural person are considered to be amounts received in exchange therefor. The legislation applies to mortgage loans originated after June 8, 1997, and any interest in a mortgage loan acquired after June 8, 1997. The application of section 1271 to a retirement of a mortgage loan that was acquired at a discount is unclear, and you should consult your own tax advisor regarding the application of section 1271 to a certificate in such a case.

Medicare Tax

Certain non-corporate beneficial owners are subject to an increased rate of tax on some or all of their "net investment income," which generally includes interest, OID and market discount realized on a certificate, and any net gain recognized upon a disposition of a certificate. You should consult your tax advisor regarding the applicability of this tax based on your particular circumstances.

Special Tax Attributes

In Revenue Ruling 84-10, the IRS ruled on the status of the certificates under specific sections of the Code. In particular, the IRS ruled as follows:

1. A certificate owned by a domestic building and loan association is considered as representing loans secured by an interest in real property within the meaning of section 7701(a)(19)(C)(v) of the Code, provided the real property underlying each mortgage loan is (or, from the proceeds of the mortgage loans, will become) the type of real property described in that section of the Code.

2. A certificate owned by a real estate investment trust is considered as representing real estate assets within the meaning of section 856(c)(5)(B) of the Code, and the interest

income is considered interest on obligations secured by mortgages on real property within the meaning of section 856(c)(3)(B) of the Code.

If a certificate represents an interest in a pool that contains a cooperative share loan, an escrow mortgage loan, a buydown loan, a government loan, or a loan secured by a manufactured home, you should also consider the following tax consequences applicable to an undivided interest in those loans.

In the event that any mortgage loan has a loan-to-value ratio in excess of 100% (that is, the principal balance of any mortgage loan exceeds the fair market value of the real property securing the loan), the interest income on the portion of the mortgage loan in excess of the value of the real property will not be interest on obligations secured by mortgages on real property within the meaning of section 856(c)(3)(B) of the Code and such excess portion will not be a real estate asset within the meaning of section 856(c)(5)(B) of the Code. The excess portion should represent a "Government security" within the meaning of section 856(c)(4)(A) of the Code. If a pool contains a mortgage loan with a loan-to-value ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion.

It is not certain whether or to what extent a mortgage loan with a loan-to-value ratio in excess of 100% qualifies as a loan secured by an interest in real property for purposes of section 7701(a)(19)(C)(v) of the Code. Even if the property securing the mortgage loan does not meet this test, the certificates will be treated as "obligations of a corporation which is an instrumentality of the United States" within the meaning of section 7701(a)(19)(C)(ii) of the Code. Thus, the certificates will be a qualifying asset for a domestic building and loan association.

A mortgage loan with a loan-to-value ratio in excess of 125% is not a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code. Accordingly, if a pool contains a mortgage loan with a loan-to-value ratio in excess of 125%, the certificates that evidence a beneficial ownership interest in the pool will not be a suitable investment for a real estate mortgage investment conduit ("REMIC").

Cooperative Share Loans

The IRS has ruled that a cooperative share loan will be treated as a loan secured by an interest in real property, within the meaning of section 7701(a)(19)(C)(v) of the Code, provided that the dwelling unit that the cooperative's stock entitles the tenant-shareholder to occupy is to be used as a residence. The IRS also has ruled that stock in a cooperative qualifies as an interest in real property within the meaning of section 856(c)(5)(C) of the Code. Accordingly, interest on cooperative share loans qualifies as interest on obligations secured by mortgages on interests in real property for purposes of section 856(c)(3)(B) of the Code.

Escrow Mortgage Loans

In certain cases, a mortgage loan may be secured by additional collateral consisting of an escrow account held with a financial institution, referred to as an escrow mortgage loan. The escrow account could consist of an interest rate buydown account that meets the requirements of our Selling Guide or any other escrow account described in the prospectus supplement. A beneficial owner's investment in an escrow mortgage loan generally should be treated as a loan secured by an interest in real property within the meaning of section 7701(a)(19)(C)(v) of the Code, provided the escrow account does not represent an account with the beneficial owner. In addition, an investment in an escrow mortgage loan by a real estate investment trust generally should be treated in its entirety as a real estate asset within the meaning of section 856(c)(5)(B) of the Code, provided the fair market value of the real property securing the escrow mortgage loan equals or exceeds the principal amount of such escrow mortgage loan at the time the real estate investment trust makes a commitment to acquire a certificate. Because of uncertainties regarding the tax treatment of escrow mortgage loans, you should consult your own tax advisor concerning the federal income tax treatment of investments in escrow mortgage loans.

Buydown Loans

Sometimes a lender, builder, seller or other third party may provide the funds for the interest rate buydown accounts that secure certain escrow mortgage loans, sometimes referred to as buydown loans. Under our Selling Guide, the borrower is liable for the entire payment on a buydown loan, without offset by any payments due from the buydown account. Accordingly, we plan to treat buydown loans entirely as the obligation of the borrower.

The IRS could take the position, however, that a buydown loan should be treated as if the borrower were obligated only to the extent of the net payment after application of the interest rate buydown account. If the IRS were able to maintain this position successfully, a beneficial owner of a buydown loan would be treated as holding two instruments: one representing the lender's rights with respect to the buydown account, and the other representing the borrower's debt to the extent of the net payment by the borrower. With respect to the instrument represented by the borrower's debt, this treatment would require the beneficial owner to accelerate the recognition of a portion of the interest payable after the buydown period. Moreover, during the buydown period and to the extent of the buydown account, the rulings described above regarding sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code would be inapplicable. Because of uncertainties regarding the tax treatment of buydown loans, you should consult your own tax advisor concerning the federal income tax treatment of investments in buydown loans.

Government Mortgage Loans

Because information generally is not available with respect to the loan-to-value ratios of government mortgage loans, no representations can be made regarding the qualification of such loans under sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code.

Loans Secured by Manufactured Homes

For certain purposes of the Code, a mortgage loan secured by a manufactured home is treated as secured by an interest in real property if the manufactured home satisfies the conditions set forth in section 25(e)(10) of the Code. That section requires a manufactured home to have a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and to be of a kind customarily used at a fixed location. Although Revenue Ruling 84-10 does not specifically refer to mortgage loans secured by manufactured homes, the conclusions discussed above regarding sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code should be applicable to a beneficial owner's investment in a mortgage loan that is secured by property described in section 25(e)(10). Unless we state otherwise in the prospectus supplement or use a special pool prefix for pooling mortgage loans secured by manufactured homes, the conditions of section 25(e)(10) will be satisfied.

Mortgage Loan Servicing

The IRS issued guidance on the tax treatment of mortgage loans in cases in which the fee retained by the direct servicer of the mortgage loans exceeds what is established under tax law to be reasonable compensation for the services to be performed. This guidance is directed primarily to servicers and, in most cases, should not have a significant effect on beneficial owners of mortgage loans.

Under the IRS guidance, if a servicing fee on a mortgage loan is determined to exceed reasonable compensation, the payments of the excess servicing fee are treated as a series of stripped coupons and the mortgage loan is treated as a stripped bond within the meaning of section 1286 of the Code. In general, if a mortgage loan is treated as a stripped bond, any discount with respect to that mortgage loan will be treated as original issue discount. Any premium with respect to such a mortgage loan may be treated as amortizable bond premium regardless of the date the mortgage loan was originated, because a stripped bond is treated as originally issued on the date a beneficial owner acquires the stripped bond. See "**—Application of Revenue Ruling 84-10—*Premium***" above. In addition, the excess portion of servicing compensation will be excluded from the income of owners and thus will not be subject to the limitations on the deductibility of miscellaneous itemized deductions. See "**—Application of Revenue Ruling 84-10—*Expenses of the Trust***" above.

A mortgage loan is effectively not treated as a stripped bond, however, if the mortgage loan meets either the 100 basis point test or the de minimis test. A mortgage loan meets the 100 basis point test if the total amount of servicing compensation on the mortgage loan does not exceed reasonable compensation for servicing by more than 100 basis points. A mortgage loan meets the de minimis test if (i) the discount at which the mortgage loan is acquired is less than 0.25 percent of the remaining principal balance of the mortgage loan multiplied by its weighted average remaining life; or (ii) in the case of wholly self-amortizing mortgage loans, the acquisition discount is less than 1/6 of one percent times the number of whole years to final stated maturity. In addition, servicers are given the opportunity to elect to treat mortgage servicing fees up to a specified number of basis points (which depends on the type of mortgage loans) as reasonable servicing. No guidance has been provided as to the effect, if any, of such safe harbors and any elections thereunder on beneficial owners of mortgage loans.

The IRS guidance contains a number of ambiguities. For example, it is not clear whether the rules described above are to be applied on an individual loan or an aggregate basis. You should consult your own tax advisor about the IRS guidance and its application to investments in the certificates.

Information Reporting and Backup Withholding

For each distribution, we will post on our Web site information that will allow beneficial owners to determine (i) the portion of such distribution allocable to principal and to interest, (ii) the amount, if any, of OID and market discount and (iii) the administrative expenses allocable to such distribution. In Notice 2008-77, 2008-40 I.R.B., the IRS provided an exception from reporting certain modifications of mortgage loans held by a fixed investment trust if a guaranty arrangement compensates the trust for any shortfalls that would otherwise be experienced as a result of the modification. Based on this IRS guidance, we have determined that modifications of certain non-performing loans under terms specified in the trust documents are not required to be reported.

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 the recipient of the payment is not an exempt recipient and fails to furnish certain information, including its taxpayer identification number, to us or our agent, or otherwise fails to establish an exemption from such tax. Any amounts deducted and withheld from such a payment would be allowed as a credit against the beneficial owner's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a holder or owner who is required to supply information but who does not do so in the proper manner.

Foreign Investors

Additional rules apply to a beneficial owner that is not a U.S. Person and that is not a partnership (a "Non-U.S. Person"). "U.S. Person" means a citizen or resident of the United States, a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state 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.

Subject to the discussion of FATCA, as defined below, 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 does not hold the certificate in connection with its conduct of a trade or business in the United States;
- the beneficial owner is not, with respect to the United States, a personal holding company or a corporation that accumulates earnings in order to avoid U.S. federal income tax;
- the beneficial owner is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in section 877(b) of the Code;
- the beneficial owner is not an excluded person (i.e., a 10-percent shareholder of Fannie Mae within the meaning of section 871(h)(3)(B) of the Code or a controlled foreign corporation related to Fannie Mae within the meaning of section 881(c)(3)(C) of the Code);
- the beneficial owner signs a statement under penalties of perjury certifying that it is a Non-U.S. Person and provides its name, address and taxpayer identification number (a "Non-U.S. Beneficial Ownership Statement");
- the last U.S. Person in the chain of payment to the beneficial owner (the withholding agent) receives such Non-U.S. Beneficial Ownership 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;
- the certificate represents an undivided interest in a pool of mortgage loans all of which were originated after July 18, 1984; and
- the Non-U.S. Person (and each foreign intermediary and foreign flow-through entity through which the Non-U.S. Person holds its certificate) complies with FATCA (as discussed below).

That portion of interest income of a beneficial owner who is a Non-U.S. Person on a certificate that represents an interest in one or more mortgage loans originated before July 19, 1984 will be subject to a U.S. withholding tax at the rate of 30 percent or lower treaty rate, if applicable. Regardless of the date of origination of the mortgage loans, backup withholding will not apply to payments made to a beneficial owner that is a Non-U.S. Person if the beneficial owner or a financial institution holding on behalf of the beneficial owner provides a Non-U.S. Beneficial Ownership Statement to the withholding agent.

A Non-U.S. Beneficial Ownership Statement may be made on an IRS Form W-8BEN or Form W-8BEN-E, as applicable, or a substantially similar substitute form. The beneficial owner or financial institution holding on behalf of the beneficial owner must inform the withholding agent of any change in the information on the statement within 30 days of such change.

Sections 1471 through 1474 of the Internal Revenue Code (commonly known as "FATCA") generally impose withholding of 30% on "withholdable payments" to certain foreign entities (including financial intermediaries), unless certain information reporting, diligence and other requirements have been satisfied. For this purpose, withholdable payments include U.S.-source interest and gross proceeds (including principal payments) from the sale or other disposition of property that can produce U.S.-source interest. Payments on the certificates, other than payments in respect of any sales or other dispositions of property occurring before January 1, 2017, will be treated as withholdable payments. To receive the benefit of an exemption from FATCA withholding tax, you must provide to the withholding agent a properly completed Form W-8BEN or W-8BEN-E or other applicable form evidencing such exemption. Non-U.S. Persons should consult their own tax advisors regarding the potential application and impact of this legislation based on their particular circumstances.

PLAN OF DISTRIBUTION

Certificates backed by mortgage loans delivered to us by a mortgage loan seller are issued to the seller in exchange for the mortgage loans. Certificates backed by portfolio pools holding mortgage loans previously held in our portfolio may be issued to us in our corporate capacity in exchange for those mortgage loans or may be sold to dealers or third party investors through a bidding process. Fannie Majors are usually backed by mortgage loans delivered to us by more than one mortgage loan seller and represent beneficial interests in the entire pool of mortgage loans backing the Fannie Major. In each case, we are the depositor of the mortgage loans into the trust, the trustee for the trust, and the master servicer of the mortgage loans in the trust. Mortgage loan sellers, dealers and third party investors may retain the certificates or sell them in the secondary mortgage market.

ACCOUNTING CONSIDERATIONS

The accounting treatment that applies to an investor's purchase and holding of certificates may vary depending upon a number of different factors. Moreover, accounting principles, and how they are interpreted and applied, may change from time to time. Before you purchase the certificates, you should consult your own accountants regarding the proper accounting treatment for the certificates.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities, you may be or may become subject to restrictions on investment in certain certificates of an issuance or to certificates generally, including, without limitation, restrictions that may be imposed retroactively. 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 FDIC, the NCUA, Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the certificates of an issuance. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any certificate. **You should consult your own legal advisors to determine whether and to what extent the certificates constitute legal investments or are or may become subject to restrictions on investment and whether and to what extent the certificates can be used as collateral for various types of borrowings.**

ERISA CONSIDERATIONS

ERISA and section 4975 of the Code impose requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and on other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and section 4975 of 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. Any person who is a fiduciary of a plan also is subject to the requirements imposed by ERISA and section 4975 of the Code. Before a plan invests in any certificate, the plan fiduciary must consider whether the governing instruments for the plan permit the investment, whether the certificates are a prudent and appropriate investment for the plan under its investment policy, and whether such an investment might result in a transaction prohibited under ERISA or section 4975 of the Code for which no exemption is available.

The U.S. Department of Labor issued a regulation covering the acquisition by a plan of a "guaranteed governmental mortgage pool certificate," defined to include a certificate that is backed by, or evidences an interest in, a specified mortgage loan or participation interest in a mortgage loan and that is guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, trustee and other servicers of the related mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgage loans in the pool. Our counsel, Katten Muchin Rosenman LLP, has advised us that, except to the extent provided in a prospectus supplement for an issuance of certificates, 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 provisions of ERISA or section 4975 of the Code merely by reason of a plan's holding of certificates. However, investors should consult with their own counsel regarding the ERISA eligibility of certificates they may purchase.

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 related trust documents.

Exhibit A

FREQUENTLY USED SINGLE-FAMILY MBS POOL PREFIXES

Below is a current listing of pool prefixes that we use most frequently. Our prefixes may be modified or supplemented from time to time. For a more complete listing and description of our current pool prefixes, please refer to our Web site at www.fanniemae.com.

CA . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; assumable.

CI . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.

CJ . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less:

- Pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through September 30, 2008; or
- More than 10% of the pool issue balance is comprised of any combination of:
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by the Economic Stimulus Act of 2008 (ESA), or
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by the Housing and Economic Recovery Act of 2008 (HERA), or
  - loans originated during 2009 with an original principal balance up to the loan limit established by the American Recovery and Reinvestment Act of 2009 (ARRA), or
  - loans originated during 2010 with an original principal balance up to the loan limit established by Public Law (or P. L.) No. 111-88, or
  - loans originated during 2011 with an original principal balance up to the loan limit established by Public Law (or P.L.) No. 111-242; or
- Pool contains loans originated before October 1, 2008 with an original principal balance up to the loan limit established by HERA.

CK . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less:

- Pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through September 30, 2008; or
- More than 10% of the pool issue balance is comprised of any combination of
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by ESA, or
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by HERA, or
  - loans originated during 2009 with an original principal balance up to the loan limit established by ARRA, or
  - loans originated during 2010 with an original principal balance up to the loan limit established by Public Law (or P. L.) No. 111-88, or
  - loans originated during 2011 with an original principal balance up to the loan limit established by Public Law (or P.L.) No. 111-242; or
- Pool contains loans originated before October 1, 2008 with an original principal balance up to the loan limit established by HERA.

CL . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.

CN . . . . Conventional Short-Term, Level-Payment Mortgages; Single-Family; maturing or due in 10 years or less.

CQ . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. Pool is comprised entirely of mortgages with loan-to-value ratios greater than 105% and less than or equal to 125%.

CR . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. Pool is comprised entirely of mortgages with loan-to-value ratios greater than 125%.

CT . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.

CV . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less; Pool is comprised entirely of mortgages with loan-to-value ratios greater than 105% and less than or equal to 125%.

CW . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. Pool is comprised entirely of mortgages with loan-to-value ratios greater than 125%.

CX . . . . Conventional Intermediate-Term, Balloon, Level-Payment Mortgages; Single-Family; maturing or due in seven years or less.

CZ . . . . Conventional Extra Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less.

GA . . . . Government, Adjustable-Rate Mortgages; Single-Family. Pool may contain certain higher balance FHA loans originated on or after March 6, 2008.

GL . . . . Government, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less; pool may contain certain higher balance FHA loans originated on or after March 6, 2008.

GO . . . . Government, Level-Payment Mortgages; Single-Family; pool is comprised entirely of loans which were delinquent for 90 days or more during the 12 months prior to the Pool Issue Date. All loans are current as of the Pool Issue Date.

JI . . . . Conventional Intermediate-Term Mortgages; Single-Family; maturing or due in 15 years or less. Pool meets any of the following criteria:

- more than 15 percent of pool issue date balance is comprised of loans with more than one special product characteristic (as defined in the Fannie Mae Guides),
- pool contains loans with one or more other unique characteristics (see individual Prospectus Supplement for details), or
- pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

JL . . . . Conventional Long-Term Mortgages; Single-Family; maturing or due in more than 15 years. Pool meets any of the following criteria:

- more than 15 percent of pool issue balance is comprised of loans with more than one special product characteristic (as defined in the Fannie Mae Guides),
- pool contains loans with one or more other unique characteristics (see individual Prospectus Supplement for details), or
- pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

KO .... Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in more than 15 years but less than or equal to 30 years. The pool issue balance is comprised entirely of loans that have a three-year prepayment premium provision.

KI .... Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.

KL .... Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.

LA .... Adjustable-Rate Mortgages; Single-Family; uniform 5/1 hybrid; indexed to the one-year Wall Street Journal London Interbank Offered Rate (LIBOR); five-year initial fixed period; 5 percent cap initial interest rate adjustment, 2 percent cap subsequent interest rate adjustments, with a 5 percent lifetime cap; minimum servicing of 12.5 basis points; stated MBS pool accrual rate in initial fixed period and stated MBS margin.

LB .... Adjustable-Rate Mortgages; Single-Family; LIBOR; lifetime caps are pool-specific

LC .... Conventional Adjustable-Rate Jumbo-Conforming Mortgages; Single-Family; LIBOR; pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

LD .... Conventional Adjustable-Rate Jumbo-Conforming Mortgages; Single-Family; LIBOR; pool contains jumbo-conforming loans with an origination date on or after March 1, 2008.

NP .... Conventional Long-Term Mortgages; Single-Family; commencing with interest-only period greater than or equal to seven years and less than or equal to 10 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.

RE .... Conventional Long-Term, Level-Payment Relocation Mortgages; Single-Family.

S1 .... Conventional Long-Term Adjustable-Rate Mortgages; Single Family; includes a wide variety of ARM types and indices; maturing or due in 30 years or less; minimum servicing fee on each loan in the pool is 12.5bps.

S2 .... Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single Family; includes a wide variety of ARM types and indices; maturing or due in 40 years or less; minimum servicing fee on each loan in the pool is 12.5bps.

WD .... Adjustable-Rate Mortgages; Single-Family; indexed to the one-year Treasury Constant Maturity; extended fixed initial period; annual changes thereafter; various caps at first adjustment; 2 percent per interest rate adjustment thereafter; lifetime caps are pool-specific.

WS .... Conventional Adjustable-Rate Mortgages; Single-Family. Includes a wide variety of ARM types and indices.

WZ .... Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a variety of ARM types and indices; maturing or due in 40 years or less.

Exhibit B

SAMPLE POOL STATISTICS

All information in this exhibit is for illustrative purposes only and should not be deemed to represent any actual issuance. Moreover, certain information is applicable only to adjustable-rate mortgages. Please see Exhibit C: Pool Statistics Methodology for further information about the sample pool statistics.

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM

SUPPLEMENT TO PROSPECTUS DATED OCTOBER 01, 2014

$1,167,254.00
ISSUE DATE NOVEMBER 01, 2014
SECURITY DESCRIPTION FNAR 01.2345 WD-123456
3.2240 INITIAL POOL ACCRUAL RATE
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1

PRINCIPAL AND INTEREST PAYABLE ON THE 25TH OF EACH MONTH
BEGINNING DECEMBER 25, 2014

POOL STATISTICS

(1)SELLER	ABC SELLER
(1)SERVICER	XYZ SERVICER
NUMBER OF MORTGAGE LOANS	6
(2)AVERAGE ORIGINAL LOAN SIZE	$194,725.00
(10)MATURITY DATE	11/01/2044
(3)INITIAL INTEREST RATE CHANGE DATE	11/01/2019
(4)WEIGHTED AVERAGE MONTHS TO ROLL	59 mo
SUBTYPE	204W
CONVERTIBLE	NO
TRANSFER TYPE	W (Wire)
PASS THROUGH METHOD	W (Weighted)
(5)WEIGHTED AVERAGE COUPON RATE	3.8490%
(6)MAXIMUM POOL ACCRUAL RATE	9.2240%
(7)MINIMUM POOL ACCRUAL RATE	0.0000%
(8)WEIGHTED AVERAGE LOAN AGE	1 mo
(9)WEIGHTED AVERAGE LOAN TERM	360 mo
(10)WEIGHTED AVERAGE REMAINING MATURITY	359 mo
(11)WEIGHTED AVERAGE LTV	73%
(11)WEIGHTED AVERAGE CLTV	73%
(12)WEIGHTED AVERAGE CREDIT SCORE	690
(12)% UPB WITHOUT CREDIT SCORE	25.7%
(13)% UPB WITH 1st PAYMENT DUE—ISSUE + 2MONTHS	0.0000%
(14)% UPB WITH THIRD PARTY ORIGINATION	57.27%

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED OCTOBER 01, 2014
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1
POOL STATISTICS PAGE 2 OF 4

(15)QUARTILE DISTRIBUTION

Loan Size	
MAX	$300,000.00
75%	300,000.00
MED	199,050.00
25%	172,100.00
MIN	127,200.00

Coupon Rate	
MAX	4.250
75%	4.000
MED	3.750
25%	3.750
MIN	3.500

LTV	
MAX	95
75%	88
MED	80
25%	40
MIN	40

Credit Score	
MAX	720
75%	700
MED	675
25%	650
MIN	600

Loan Term (# Of Months)	
MAX	360
75%	360
MED	360
25%	360
MIN	360

Loan Age (# Of Months)	
MAX	1
75%	1
MED	1
25%	0
MIN	0

Remaining Maturity (# Of Months)	
MAX	360
75%	360
MED	359
25%	359
MIN	359

(16)LOAN PURPOSE

	# Of Loans	%	Aggregate UPB
PURCHASE	6	100.00	$1,167,254.62
REFINANCE	0	0.00	0.00

(17)PROPERTY TYPE

# Of Units	# Of Loans	%	Aggregate UPB
1	6	100.00	$1,167,254.62
2 — 4	0	0.00	0.00

(18)OCCUPANCY TYPE

Type	# Of Loans	%	Aggregate UPB
PRINCIPAL RESIDENCE	6	100.00	$1,167,254.62
SECOND HOME	0	0.00	0.00
INVESTOR	0	0.00	0.00

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED OCTOBER 01, 2014
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1
POOL STATISTICS PAGE 3 OF 4

(19)NON-STANDARD LOANS

Type	# Of Loans	% Of UPB	Aggregate UPB
RELOCATION	4	66.67	$ 778,169.82
INTEREST RATE BUYDOWN	2	33.33	389,084.80

(20)DISTRIBUTION OF LOANS BY FIRST SCHEDULED AMORTIZATION

First Scheduled Amortization	Original Interest Rate	# Of Loans	Aggregate UPB
11/01/19	4.01 – 5.00	4	$778,169.82
12/01/19	4.01 – 5.00	2	389,084.80

(21)ORIGINATION YEAR

Year	# Of Loans	%	Aggregate UPB	Year	# Of Loans	%	Aggregate UPB
2014	6	100.00	$1,167,254.62				

(22)GEOGRAPHIC DISTRIBUTION

State	# Of Loans	%	Aggregate UPB	State	# Of Loans	%	Aggregate UPB
GEORGIA	1	17.96	$209,669.51	NEW HAMPSHIRE	1	14.72	$171,862.89
LOUISIANA	2	42.73	498,763.20	TEXAS	1	13.69	159,759.02
MICHIGAN	1	10.90	127,200.00				

(1)SERVICER

Servicer Name	# Of Loans	% Of UPB	Aggregate UPB
XYZ SERVICER	6	100.00	$1,167,254.62

(23)ORIGINATION TYPE

Type	# Of Loans	% Of UPB	Aggregate UPB
BROKER	2	28.86	$336,869.51
CORRESPONDENT	2	28.41	331,621.91
RETAIL	2	42.73	498,763.20

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED OCTOBER 01, 2014

FANNIE MAE POOL NUMBER WD-123456

CUSIP 12345ABC1

(24)DISTRIBUTION OF LOANS BY FIRST PAYMENT DATE

Date	Original Interest Rate	# Of Loans	Aggregate UPB
11/01/14	BELOW – 5.00	4	$778,169.82
12/01/14	BELOW – 5.00	2	389,084.80

CURRENT INTEREST RATES

Current Mortgage Interest Rate	# Of Loans	Aggregate UPB
BELOW — 5.00	6	$1,167,254.62

(25)GROSS MARGINS

Current Loan Margins	# Of Loans	Aggregate UPB
2.7500	6	$1,167,254.62

(26)NEXT RATE CHANGE DATE TABLE

Date	% Of Bal	MBS Margin High	MBS Margin Low	MBS Margin	Net Coupon High	Net Coupon Low	Wtd Avg Net Coupon	Net Life Caps High	Net Life Caps Low	Net Life Floor High	Net Life Floor Low
11/01/19	63.0000	2.1250	2.1250	2.1250	3.6250	2.8750	3.2370	9.6250	8.8750	0.0000	0.0000
12/01/19	37.0000	2.1250	2.1250	2.1250	3.3750	3.1250	3.1990	9.3750	9.1250	0.0000	0.0000
Wt Avg		2.1250			3.2240			9.2240		0.0000	

Exhibit C

POOL STATISTICS METHODOLOGY

We provide to certificateholders the information that is reported to us by mortgage loan sellers. If a mortgage loan seller delivers mortgage loans to us with characteristics that do not fall within the parameters of the representations and warranties made to us in connection with the delivery, the mortgage loan seller may be obligated to purchase the affected mortgage loans. Certificateholders should make their own conclusions regarding the data provided in the prospectus supplement.

We may update certain information about each pool on an ongoing monthly basis on our Web site.

The issue date principal balance of each pool may vary by up to 1% from the amount specified in the prospectus supplement.

(1)Seller and Servicer

For each pool, we will provide the name of the mortgage loan seller (the entity that delivered the mortgage loans to us) and the direct servicer (the entity that is servicing the mortgage loans upon delivery to us). For pools that have multiple mortgage loan sellers, we will state "multiple" in the pool statistics section of the prospectus supplement. For pools that have multiple direct servicers, we will provide a table in the pool statistics section of the prospectus supplement listing the names of all direct servicers that service 5% or more of the pool (calculated by unpaid principal balance as of the issue date), the number of loans serviced by each of these direct servicers, the percent of the pool's unpaid principal balance as of the issue date that they service and the aggregate unpaid principal balance of the loans serviced by each of them.

(2)Average Original Loan Size

On the issue date we will calculate both a simple average and a quartile distribution of the original unpaid principal balances of all of the underlying mortgage loans in the pool.

(3)Initial Interest Rate Change Date

For a pool containing ARM loans, we state the first interest rate change date of the loan that has the earliest first interest rate change date of the underlying mortgage loans in the pool.

(4)Weighted Average Months to Roll

For a pool containing ARM loans, on the issue date we will calculate a weighted average of the number of months until the next interest rate change date for each underlying mortgage loan in the pool.

(5)Weighted Average Coupon Rate

On the issue date we will calculate both a weighted average and a quartile distribution of the interest rates then in effect on the underlying mortgage loans in the pool.

(6)Maximum Pool Accrual Rate

For a pool containing ARM loans, on the issue date we will calculate the maximum pool accrual rate that would accrue for that pool if all of the underlying mortgage loans in the pool were accruing interest at the maximum rate (less total fees) provided in their respective loan documents.

(7) *Minimum Pool Accrual Rate*

For a pool containing ARM loans, on the issue date we will calculate the minimum pool accrual rate that would accrue for that pool if all of the underlying mortgage loans in the pool were accruing interest at the minimum rate (less total fees) provided in their respective loan documents. Generally, the minimum pool accrual rate will not be less than the weighted average of the MBS margins of the mortgage loans in the pool.

(8) *Loan Age*

On the issue date we will calculate both a weighted average and a quartile distribution of the ages of the underlying mortgage loans in the pool. The age of a mortgage loan is the number of months from the loan's origination to the issue date of the certificates. For purposes of calculating this data element, origination shall mean the date on which the first full month of interest begins to accrue on the mortgage loan.

(9) *Loan Term*

On the issue date we will calculate both a weighted average and a quartile distribution of the loan terms of the underlying mortgage loans in the pool. The loan term for a mortgage loan is the number of months in which regular scheduled borrower payments are due under the terms of the related mortgage note. For pools backed by balloon mortgage loans, we will populate this field with the amortization term.

(10) *Remaining Maturity*

On the issue date we will calculate both a weighted average and a quartile distribution of the calculated maturity for the underlying mortgage loans in the pool. The calculated maturity for a mortgage loan is the number of months remaining until the borrower will pay off the related mortgage loan, assuming that the borrower makes all future scheduled required payments on time as set forth in the mortgage note but makes no additional prepayment after the date of calculation. The calculated maturity for a loan may be earlier than the maturity date stated in the mortgage note if a borrower has made any partial prepayments prior to the date of calculation. The maturity date of a pool as stated in the prospectus supplement is the latest calculated maturity of any of the underlying mortgage loans in the pool, as calculated on the issue date.

(11) *Loan-to-Value Ratio/Combined Loan-to-Value Ratio*

On the issue date we will calculate both a weighted average and a quartile distribution of the loan-to-value ratios for the underlying mortgage loans in the pool, which are expressed as percentages. We generally require the loan-to-value ratio of an underlying mortgage loan to be a comparison of the original principal balance of the mortgage loan and either (1) in the case of a purchase, the lower of the sales price of a mortgaged property or its appraised value at the time of a sale, or (2) in the case of a refinancing, the appraised or estimated value of the mortgaged property at the time of refinancing. However, we sometimes use other methods to determine the property value of a mortgaged property. For instance, the loan-to-value ratio for a mortgage loan that is a refinancing or a modified loan may be based on a comparison of the issue date principal balance of that loan and the property value of the related mortgaged property determined at the origination of the original mortgage loan. Moreover, for loans that originally provided for a balloon payment and are redelivered as new fixed-rate loans (generally seven year balloon loans with new terms of 23 years), and ARM loans that converted to fixed-rate and are redelivered as new fixed-rate loans, the loan-to-value ratio may be based on a comparison of the issue date principal balance of that loan and the property value of the related mortgaged property determined at the origination of the original mortgage loan. In any case, an appraisal or other valuation method is merely an estimate of the value of a mortgaged property and may not reflect the actual amount received upon sale or liquidation. For pools containing government mortgage loans, such as mortgage loans insured by FHA or guaranteed by VA, we do not provide loan-to-value ratios.

We will also provide a weighted average combined-loan-to-value ratio or CLTV. The CLTV reflects the loan-to-value ratio inclusive of all loans secured by a mortgaged property on the origination date of the underlying mortgage loan and is calculated by adding together (i) the original loan amount of the first-lien mortgage loan, (ii) the amount then currently drawn on a home equity line of credit as of the origination date of the underlying mortgage loan, and (iii) the outstanding principal balance of any other subordinate mortgage loan as of the origination date of the underlying mortgage loan, and dividing the resulting sum by the lower of (x) the sales price of the mortgaged property and (y) the appraised value of the mortgaged property.

Occasionally, we acquire mortgage loans originated pursuant to a state or local government program designed to promote affordable housing within that government's jurisdiction. Under these programs, the state or local government (i) assists the borrower either by limiting contractually the price at which the mortgaged property may be sold, or by funding the difference between the purchase price paid by the borrower and the sales price received by the seller, (ii) records a subordinate lien (the "program lien") in the amount of the difference between the market price and the actual price of the mortgaged property, and (iii) restricts the borrower from selling the mortgaged property to anyone who does not qualify for assistance under the program. In these cases, for purposes of calculating the loan-to-value ratio, we will use as the property value (1) in the case of a purchase, the price paid by the purchaser, or (2) in the case of a refinancing, the difference between the market value of the mortgaged property and the amount of the program lien. Moreover, for purposes of calculating the loan-to-value ratio or CLTV, we will not include the amount of the program lien in the total unpaid principal balances of mortgage loans secured by the mortgaged property.

(12) *Credit Score of Borrowers*

Credit scores are often used by the financial services industry to evaluate the quality of borrowers' credit. Credit scores are typically based on a proprietary statistical model that is developed for use by credit data repositories. These credit repositories apply the model to borrower credit information to arrive at a credit score. One statistical model used widely in the financial services industry was developed by Fair, Isaac & Company, Inc. ("Fair Isaac"). This model is used to create a credit score called the FICO® score. FICO scores can vary depending on which credit repository is using the Fair Isaac model to supply the score. FICO scores, as reported by the credit repositories, may range from a low of 300 to a high of 850. According to Fair Isaac, a high FICO score indicates a lesser degree of credit risk.

Mortgage loan sellers that provide us with credit scores typically deliver FICO credit scores. If credit scores have been provided to us for underlying mortgage loans in a pool, we will provide both a weighted average and a quartile distribution of the scores in the prospectus supplement. We request our mortgage loan sellers to provide us credit scores, as a matter of course. If no credit score is delivered, the prospectus supplement will set forth the percentage of the aggregate issue date unpaid principal balance of the loans for which no credit score was delivered. These loans will be excluded from the quartile distribution and from the weighted average calculation. If there are two borrowers on a mortgage loan and one credit score is provided, we will use, for our calculations, the one score that was provided. We will not use the other score in the "percent missing" calculation. The credit scores provided to us were obtained at a single point between the date of application for a mortgage loan and the date of origination of a mortgage loan. Certificateholders should note that a borrower's credit score may have changed after the date it was obtained. Thus, a credit score obtained at application or at origination may have no relation to a borrower's credit score at the time the certificates backed by that loan are issued. We do not guarantee the methodology used to determine the credit score or the utility of a credit score to a certificateholder.

(13)*Percentage UPB with 1(st) Payment Due – Issue + 2 Months*

We provide the percent of the aggregate issue date unpaid principal balance of the mortgage loans in the pool that do not have their first scheduled principal payment due until the second due period following the issue date of the certificates. Certificateholders will receive no scheduled principal payment on the first distribution date (but will receive interest) with respect to that percentage of loans.

(14)*Percentage UPB with Third Party Origination*

We will provide the percent of the aggregate issue date unpaid principal balance of the mortgage loans in the pool that were originated by a lender correspondent or a broker.

(15)*Quartile Calculations*

We calculate the quartile figures set forth in the pool statistics as follows. For each mortgage loan characteristic where quartile figures appear, we order each loan in the pool from the highest to the lowest value. For example, in the case of loan-to-value ratios, we would order each loan in the pool from the loan with the highest loan-to-value ratio to the loan with the lowest loan-to-value ratio. The lowest loan-to-value ratio would appear in the pool statistics under "MIN." We determine the next figure for that loan characteristic in the quartile table by counting the loans starting with the lowest value and continuing upward until the issue date unpaid principal balance of the loans so counted equals 25% of the issue date unpaid principal balance of all the loans in the pool. The value associated with the last loan so counted appears in the quartile distribution table under "25%." We then determine the next figure for that loan characteristic in the quartile table by counting all of the loans starting with the lowest value and continuing upward until the issue date unpaid principal balance of the loans so counted equals 50% of the issue date unpaid principal balance of all the loans in the pool. The value associated with the last loan so counted appears in the quartile distribution table under "MED." We then repeat this process to determine the next figure for that loan characteristic by counting all of the loans starting with the lowest value and continuing upward until the issue date unpaid principal balance of the loans so counted equals 75% of the issue date unpaid principal balance of all the loans in the pool. The value associated with the last loan so counted appears in the quartile distribution table under "75%." The highest value for any mortgage loan in a pool appears in the quartile distribution table under "MAX."

(16)*Loan Purpose*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that are either refinance mortgage loans or purchase money mortgage loans. We also will provide the aggregate issue date unpaid principal balance of each category of loans and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of each category of loans. Mortgage loans that were modified prior to delivery to us in lieu of a traditional refinance will be shown as refinance mortgage loans in this table.

(17)*Property Type*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that are secured by one-unit properties and by two-to-four unit properties, the aggregate issue date unpaid principal balance of loans secured by each property type and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of loans secured by each property type.

[18] ***Occupancy Type***

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that, as of their respective origination dates, were secured by principal residences, second homes, or investment properties. We also will provide the aggregate issue date unpaid principal balance of loans secured by each property occupancy type and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of loans secured by each property occupancy type. The actual occupancy of the properties as of the issue date has not been verified.

[19] ***Non-Standard Loans***

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that are cooperative share loans, relocation loans, or significant temporary interest rate buydown loans. We also will provide the aggregate issue date unpaid principal balance of each type of loan and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of each type of loan.

[20] ***Distribution of Loans by First Scheduled Amortization***

We will provide a table that includes information as of the issue date for certain pools of loans that have initial interest-only periods. The table will list each date on which an underlying mortgage loan in the pool has its first scheduled monthly payment with principal and will disclose, for each such date, the number, the original interest rate, and the aggregate issue date unpaid principal balances of the loans with their first scheduled monthly payments with principal on that date.

[21] ***Origination Year***

We will provide a table that includes information as of the issue date on the aggregate issue date unpaid principal balance of the underlying mortgage loans in the pool originated in a particular year, the count of the loans by such year, and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of loans originated in each such year. For purposes of this calculation, origination year shall mean the year in which such loan closed.

[22] ***Geographic Distribution***

We will provide a table that includes information as of the issue date on the geographic distribution by state of the mortgaged properties securing the underlying mortgage loans in the pool. We will provide the count of the loans by state, the aggregate issue date unpaid principal balance of those loans, and the percentage of the entire pool (by issue date unpaid principal balance) comprised of loans secured by properties in each state.

[23] ***Origination Type***

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that were originated by the mortgage loan seller (for purposes of this table, the term "mortgage loan seller" includes the lender that sold us the loans and its parent, affiliates and subsidiaries); the number that were originated by a lender correspondent; and the number that were originated by a mortgage loan seller or a lender correspondent using the services of a broker. We also will provide the aggregate issue date unpaid principal balance of those loans and the percentage of the entire pool (by issue date unpaid principal balance) comprised of loans in each category. We define these origination categories as follows:

Retail: A mortgage loan for which the mortgage loan seller takes the mortgage loan application and then processes, underwrites, funds and delivers the mortgage loan to us. The loan is closed in the name of the mortgage loan seller, which may or may not service the loan. This definition may include joint ventures between the mortgage loan seller and another entity, provided that the mortgage loan seller retains control of the joint ventures (either through majority ownership or voting rights).

Correspondent: A mortgage loan that is originated by a party other than a mortgage loan seller and is then sold to a mortgage loan seller. A lender correspondent performs the loan processing functions (such as taking loan applications; ordering credit reports, appraisals, and title reports; and verifying a borrower's income and employment) without the assistance of a broker. The lender correspondent typically underwrites the mortgage loan, but correspondent loans may also be mortgage loans where the lender correspondent has not received delegated underwriting authority from a mortgage loan seller and, accordingly, did not underwrite the loan. The lender correspondent funds the mortgage loan at settlement, and the loan is closed in the name of the lender correspondent, which may or may not service the mortgage loan.

Broker: A mortgage loan that is originated under circumstances where a person or firm other than a mortgage loan seller or lender correspondent is acting as a "broker" and receives a commission for bringing together a borrower and a lender. The broker performs some of the loan processing functions (such as taking loan applications; ordering credit reports, appraisals, and title reports; and verifying a borrower's income and employment), but does not underwrite the loan, fund the loan at settlement, or service the loan. Typically, the mortgage loan is closed in the name of the mortgage loan seller or lender correspondent that commissioned the broker's services, but may also include "table-funded" mortgage loans where the loan is closed in the broker's name, but is funded by the mortgage loan seller or the lender correspondent.

(24) *Distribution of Loans by First Payment Date*

For pools containing ARM loans, we will provide a table that includes information as of the issue date on the distribution of the underlying mortgage loans in a pool by their first payment date and the number of underlying mortgage loans in the pool having each such listed first payment date. We will also provide the aggregate issue date unpaid principal balance of these mortgage loans.

(25) *Gross Margins*

For pools containing ARM loans, we will provide a table that includes information as of the issue date on the mortgage loan margins (as stated in the mortgage note) and the number of underlying mortgage loans in the pool having each such listed mortgage loan margin. We will also provide the aggregate issue date unpaid principal balance of these mortgage loans.

The mortgage margin may be 0% for certain ARM loans in a pool. When we subtract the applicable fee percentage from the mortgage margin, the resulting MBS margin for the ARM loan may have a negative value, as shown in the pool statistics. Although the loan's accrual rate for each such ARM loan of this type will still equal the negative MBS margin, the pool accrual rate (which is a weighted average of the loan accrual rates for all of the loans in a pool) will never be less than 0%. If all of the loans in a pool have a negative pass-through rate, we will cause the pool accrual rate to equal 0%.

(26) *Next Rate Change Date Table*

For pools containing ARM loans, we will provide a table that includes information as of the issue date on the next rate change date for the underlying mortgage loans in a pool, including the percentage of the pool (by aggregate issue date unpaid principal balance) that will have its next rate change on the listed dates, and MBS margin, coupon, cap, and floor information.

No one is authorized to give information or to make representations in connection with the certificates other than the information and representations contained in or incorporated into this prospectus and the additional disclosure documents. We take no responsibility for any unauthorized information or representation. This prospectus and the additional disclosure documents do not constitute an offer or solicitation with regard to the certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus and the additional disclosure documents at any time, no one implies that the information contained herein or therein is correct after the date hereof or thereof.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the certificates or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

Additional prospectuses and information regarding outstanding pools are available upon request by calling us at 800-237-8627 or (202) 752-7115 or on our Web site at www.fanniemae.com.

TABLE OF CONTENTS

Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans)

SINGLE-FAMILY MBS PROSPECTUS

FannieMae®

October 1, 2014