

## Mega Prospectus



### **Guaranteed MBS Pass-Through Securities (Mega Certificates) (Backed by Fannie Mae MBS Certificates)**

#### **The Mega Certificates**

We, the Federal National Mortgage Association or Fannie Mae, will issue and guarantee the Mega certificates. Each issue of Mega certificates will have its own identification number and will represent the ownership of principal and interest distributions on Fannie Mae Guaranteed Mortgage Pass-Through Certificates, also called MBS certificates, which directly or indirectly underlie the Mega certificates. The underlying MBS certificates represent the ownership of pools of residential mortgage loans or participation interests in residential mortgage loans secured by first or subordinate liens on either single-family or multifamily properties, but not both.

This Mega prospectus does not contain complete information and **only** should be read together with the disclosure documents described on page 3.

#### **Fannie Mae Guaranty**

We guarantee that the holders of the Mega certificates, through our guaranty of the underlying MBS certificates, will receive timely payment of interest and principal. We alone are responsible for making payments under our guaranty. **The Mega certificates (including the underlying MBS certificates) and payments of principal and interest on the Mega certificates (including the underlying MBS 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 section beginning on page 6. Unless you understand and are able to tolerate these risks, you should not invest in the Mega certificates.**

**The Mega certificates are exempt from registration under the Securities Act of 1933 and are “exempted securities” under the Securities Exchange Act of 1934.**

**The date of this Prospectus is March 1, 2002.**

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## INFORMATION ABOUT MEGA DISCLOSURE DOCUMENTS

The disclosure documents for each issue of Mega certificates are:

- this prospectus;
- the prospectus supplement for Mega certificates, where adjustable-rate loans or multifamily loans back the underlying MBS certificates; and
- the MBS prospectus or prospectuses for the underlying MBS certificates.

You should consider all of these, together with any information incorporated in these documents by reference as discussed below under the heading “*Additional Information about Fannie Mae.*”

We will provide information that supplements this prospectus in connection with each issue of Mega certificates where adjustable-rate loans or multifamily loans back the underlying MBS certificates. Each prospectus supplement will include information about the pooled mortgage loans backing the MBS certificates underlying the Mega certificates. Because the prospectus supplement will contain specific information about a particular issue 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. The prospectus supplement will be available in paper form and, in some cases, may also be available electronically. The prospectus supplement is generally available two business days before settlement of each issue of Mega certificates.

**In determining whether to purchase any issue of Mega certificates, you should rely ONLY on the information in this prospectus, the related prospectus supplement, if any, the MBS prospectus or prospectuses for the underlying MBS certificates and any information which we have incorporated into these documents by reference. You should not rely on information that may be offered to you by a third party. It may not be reliable.**

You can obtain copies of this prospectus, any related prospectus supplement and our MBS prospectuses by writing to Fannie Mae, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-6547. These documents may also be available on our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com) and our business to business Web site at [www.efanniemae.com](http://www.efanniemae.com).

For convenience, this Mega prospectus is attached at the end of the MBS prospectus.

## 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 issue of certificates, you should have the complete picture. For that, you must read this prospectus in its entirety as well as any prospectus supplement for that issue of Mega certificates and the prospectus for the underlying MBS certificates.

Title of Security ..... Guaranteed MBS Pass-Through Securities (Mega Certificates).

Issuer and Guarantor ..... Fannie Mae, a federally chartered and stockholder-owned corporation.

**The Mega certificates (including the underlying MBS certificates) and payments of principal and interest on the Mega certificates (including the underlying MBS 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. We alone are responsible for making payments on our guaranty.**

Description of Certificates ..... Each certificate will represent a fractional undivided ownership interest in the principal and interest distributions from the certificates underlying the Mega certificates, which will include one or more of the following:

For single-family Mega certificates:

- single-family MBS certificates,
- Mega certificates backed by single-family MBS certificates,
- Mega certificates backed by other Mega certificates, which are backed by single-family MBS certificates.

For multifamily Mega certificates:

- multifamily MBS certificates,
- Mega certificates backed by multifamily MBS certificates,
- Mega certificates backed by other Mega certificates, which are backed by multifamily MBS certificates.

We will issue the certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.

Minimum Denomination ..... We will issue the Mega 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.

Distribution Date ..... The 25th of each month is the day designated for payments to certificateholders. If that day is not a business day, payment will be made on the next business day.

Interest .....	<p>We will pay interest on the Mega certificates each month on the distribution date.</p> <p>We will pass through interest on the Mega certificates in an amount equal to the aggregate of the interest distributed on the same distribution date on the underlying MBS certificates and any underlying Mega certificates.</p>
Principal .....	<p>We will pay principal on the Mega certificates each month on the distribution date.</p> <p>We will pass through principal on the Mega certificates in an amount equal to the aggregate of the principal distributed on the same distribution date on the underlying MBS certificates and any underlying Mega certificates.</p>
Mega Factors .....	<p>On or about the fourth day of each month, we will publish the monthly Mega factor for each issue of Mega certificates. If you multiply the monthly Mega factor by the original principal balance of your Mega certificates, you will obtain the current principal balance of your Mega certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month.</p>
Guaranty.....	<p>We guarantee that the holders of the Mega certificates, through our guaranty of the underlying MBS certificates, will receive timely payment of interest and principal.</p>
Security Type .....	<p>Each MBS certificate underlying a Mega certificate will be backed by mortgage loans secured by a first or subordinate lien on either single-family or multifamily residential real properties, but not both.</p>
Marginability; Repurchase Agreements .....	<p>The Mega certificates are exempted securities for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. The margin rules treat transactions in Mega certificates, including repurchase agreements, in the same manner as transactions in Fannie Mae MBS certificates.</p>

## RISK FACTORS

Because each investor has different investment needs and a different tolerance for risk, you should consult your own financial and legal advisors to determine whether the Mega certificates are a suitable investment for you.

**The Mega certificates may not be a suitable investment for you.** The Mega 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 the merits and risks of the Mega certificates and the information in this prospectus, the applicable prospectus supplement, if any, and the documents incorporated by reference;
- understand thoroughly the terms of the Mega certificates and the underlying MBS certificates and any underlying Mega certificates;
- evaluate (either alone or with the help of a financial advisor) the economics, interest rate and other factors that may affect your investment;
- have sufficient financial resources and liquidity to bear all risks associated with the Mega certificates; and
- investigate any legal investment restrictions that may apply to you.

**Mega certificates have the same risks as the underlying MBS certificates.** Because payments from the underlying MBS certificates are passed through directly on the Mega certificates, the risks associated with an investment in the Mega certificates are those risks described in the MBS prospectus or prospectuses for the underlying MBS certificates.

Please refer to the discussion of risk factors in each of those MBS prospectuses.

**If we failed to pay under our guaranty of the underlying MBS certificates, the amount distributed to Mega certificateholders would be reduced.** If borrowers fail to make their mortgage loan payments on time, we have agreed to make payments on the MBS certificates under our guaranty. As long as we make these payments, you will not be affected by borrowers' late payments. If, however, we become unable to pay, or fail to pay for any reason, the payments that you receive as a Mega certificateholder will be reduced as a result of borrowers' late payments or complete failure to pay.

**The Mega certificates may have a short life, if the underlying MBS certificates have been outstanding for a long time.** The MBS trust indenture gives us the right to purchase all of the remaining loans in an MBS pool when the pool principal balance of the MBS pool is reduced below a certain level. This right is sometimes called a clean-up call. If the issue of Mega certificates is backed by MBS certificates that have been in existence for several years, we may already have the right to exercise the clean-up call at the time the Mega certificates are issued, or that right may arise soon after issuance. Refer to the applicable MBS prospectus to determine when our clean-up call rights can be exercised for the underlying MBS certificates backing the Mega issue. The MBS monthly pool factor is an indicator of the percentage of the issue date pool principal balance that remains outstanding for the underlying MBS certificates, as explained in the MBS prospectuses.

**Loans in the underlying MBS pools could be repaid at a different speed than you expected, affecting the timing of repayment of principal on your Mega certificates.** Generally, a borrower may prepay a mortgage loan at any time. See the discussion of prepayment rights in the MBS prospectus or prospectuses for the underlying MBS certificates. As a result, we cannot predict the amount of principal payments on the Mega certificates. Because interest rates fluctuate, you may not be able to reinvest the principal payments on the Mega certificates at an interest rate that is as high as the interest rate borne by the Mega certificates. You may have to reinvest those funds at a much lower interest rate. You should consider this reinvestment risk in light of other investments that may be available to you.

**There may be no market for the Mega certificates of a particular issue, and no assurance can be given that a market will develop and continue.** We cannot be sure that a market for resale of the Mega certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your Mega certificates. Even if you are able to sell your Mega certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of Mega certificates at prices comparable to those available to other investors. A number of factors may affect the resale of Mega certificates, including the following:

- the method, frequency and complexity of calculating principal or interest;
- the average age of the mortgage loans in the underlying pools;
- the age of the underlying pools;
- the outstanding principal amount of Mega certificates;
- the amount of Mega certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the Mega certificates;
- the availability of comparable securities; and
- the level, direction and volatility of interest rates generally.

## **FANNIE MAE**

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act. We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. We became a stockholder-owned and privately managed corporation by legislation enacted in 1968. We are the largest investor in residential mortgage loans in the United States.

Under the Charter Act, we were created to:

- provide stability in the secondary market for residential mortgages;
- respond appropriately to the private capital market;
- provide on-going assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low-and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

In accordance with our statutory purpose, we provide funds to the mortgage market by purchasing mortgage loans from lenders. In this way, we replenish their funds so they can make additional loans. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. Thus, we are able to expand the total amount of funds available for housing.

We also issue mortgage-backed certificates, receiving guaranty fees for our guaranty of timely payment of principal and interest on the certificates. We issue mortgage-backed certificates primarily in exchange for pools of mortgage loans from lenders. By issuing mortgage-backed certificates, we further fulfill our statutory mandate to increase the liquidity of residential mortgage loans.

In addition, we offer various services to lenders and others for a fee. These services include issuing certain types of structured mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

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

### **ADDITIONAL INFORMATION ABOUT FANNIE MAE**

You also should read our current Information Statement and any supplements to the Information Statement.

These documents contain important financial and other information about Fannie Mae, which we are incorporating by reference in this prospectus. This means that we are disclosing important information to you by referring to these documents and have not reprinted that information here. You should read them together with this prospectus.

We publish our Information Statement annually and update it from time to time, usually to reflect quarterly and annual financial results. When we use the term Information Statement in this prospectus, we mean our most recent Information Statement as of the issue date for a particular issue of Mega certificates, together with any supplements to that Information Statement. You should always rely on the most current Information Statement.

You can read our Information Statement and other information about us at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. We are not subject to the periodic reporting requirements of the Securities Exchange Act of 1934, so we do not file reports or other information with the Securities and Exchange Commission. You can obtain copies of our Information Statement, all the other documents incorporated by reference and additional information about us, without charge, by writing us at Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016, or by calling us at 1-800-701-4791. You also can obtain some of these documents from our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com).

We may discontinue providing any of the information referenced in this section at any time without notice.

### **USE OF PROCEEDS**

We usually issue Mega certificates in swap transactions, in which the Mega certificates are issued in exchange for the MBS certificates and other Mega certificates that back the Mega certificates being issued.

### **DESCRIPTION OF THE CERTIFICATES**

We will issue the Mega certificates under a trust agreement. For each issue of Mega certificates, there will be an issue supplement to the trust agreement along with a schedule of the underlying MBS certificates and any underlying Mega certificates for that Mega issue, and a separate trust fund will be created. We have summarized the terms of the trust agreement below. This summary is not complete. If there is any conflict between the information in this prospectus and the actual provisions of the trust agreement, the terms of the trust agreement and its related issue supplement will govern. You may obtain a copy of the trust agreement and issue supplement and schedule of the underlying MBS certificates and any underlying Mega certificates that applies to your Mega certificates from our Washington, DC office.

## **The Mega Certificates**

Each issue of Mega certificates represents fractional undivided ownership interests in a Mega trust. Each certificateholder's fractional undivided ownership interest in the Mega trust will be equal to the issue date principal balance of that certificateholder's Mega certificate divided by the issue date principal balance of all the Mega certificates of that issue.

The assets of each Mega trust will be Fannie Mae MBS certificates, which we refer to as the underlying MBS certificates, and other Mega certificates, which we refer to as the underlying Mega certificates, of one or more of the following types:

For single-family Mega certificates:

- single-family MBS certificates;
- Mega certificates backed by single-family MBS certificates, and
- Mega certificates backed by other Mega certificates, which are backed by single-family MBS certificates.

For multifamily Mega certificates:

- multifamily MBS certificates,
- Mega certificates backed by multifamily MBS certificates, and
- Mega certificates backed by other Mega certificates, which are backed by multifamily MBS certificates.

For each issue of Mega certificates, we will deliver the underlying MBS certificates and any underlying Mega certificates into a trust for that issue of Mega certificates. We will register the underlying MBS certificates and any underlying Mega certificates in our name, as trustee of the Mega trust for that issue, on the books of a U.S. Federal Reserve Bank and will hold the underlying MBS certificates and any underlying Mega certificates in trust for the benefit of that issue of Mega's certificateholders.

The schedule of the underlying MBS certificates and any underlying Mega certificates for each Mega issue is available on our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com) and our business to business Web site at [www.efanniemae.com](http://www.efanniemae.com).

### **Characteristics of the Mega Certificates**

In addition to underlying MBS certificates, Mega certificates may be backed by other Mega certificates which in turn have been backed by other Mega certificates. MBS certificates underlying each Mega certificate will be backed by mortgage loans secured by either single-family properties or multifamily properties, but not both. We do not commingle single-family MBS certificates with multifamily MBS certificates when creating Mega certificates.

For each issue of Mega certificates, the underlying MBS certificates and any underlying Mega certificates will have certain characteristics in common.

**Single-Family Mega Certificates.** Single-family Mega certificates are backed by single-family MBS certificates and other Mega certificates, which are themselves backed by one or more single-family MBS certificates or one or more other Mega certificates. The single-family mortgage loans backing each of the underlying single-family MBS certificates will satisfy all the requirements described in the single-family MBS prospectus.

For fixed-rate single-family Mega certificates, the pass-through rate of your Mega certificate and all underlying certificates, whether MBS certificates or other Mega certificates, will be the same. In addition, the MBS pool prefix for the fixed-rate single-family MBS certificates which underlie each Mega issue will be identical.

For adjustable-rate single-family Mega certificates, the MBS subtype for the single-family MBS certificates which underlie each Mega issue will be identical. We will describe the characteristics of the adjustable-rate mortgage loans backing each adjustable-rate single-family MBS certificate in a prospectus supplement.

For information on MBS pool prefixes and MBS subtypes used in single-family MBS pools, please refer to the single-family MBS prospectus or our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com) and our business to business Web site at [www.efanniemae.com](http://www.efanniemae.com).

**Multifamily Mega Certificates.** Multifamily Mega certificates are backed by multifamily MBS certificates and other Mega certificates, which in turn are backed by one or more multifamily MBS certificates or one or more other multifamily Mega certificates. The multifamily mortgage loans backing each of the underlying multifamily MBS certificates must satisfy all the requirements described in the multifamily MBS prospectus.

Unless a prospectus supplement states otherwise, multifamily Mega certificates provide for a pass-through rate which is a weighted average of the pass-through rates of the underlying multifamily MBS certificates backing the Mega certificate. The pass-through rates of all certificates underlying a Mega certificate, whether MBS certificates or other Mega certificates, will be within a 100 basis point range. In addition, the MBS pool prefix for the multifamily MBS certificates which underlie a Mega certificate will all be identical. We will describe the characteristics of the multifamily mortgage loans backing each multifamily MBS certificate in a prospectus supplement.

For information on MBS pool prefixes used in multifamily MBS pools, refer to the multifamily MBS prospectus or our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com) and our business to business Web site at [www.efanniemae.com](http://www.efanniemae.com).

### **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, unless we specify a different method in the applicable prospectus supplement. Physical certificates are not available. 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 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. They are banks, brokerage firms, securities clearing organizations and similar companies, which act as financial intermediaries. Ordinarily, beneficial owners hold certificates by having accounts at financial intermediaries, which either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has such a book-entry account. A certificateholder that is not also the beneficial owner of a certificate, and all the other financial intermediaries in the chain between the certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

Neither we nor the Federal Reserve Banks will have any direct obligation to the beneficial owner of a certificate who is not also a certificateholder. We and the 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. For example, we will make distribution payments on the certificates only to certificateholders, and will give effect to a transfer of a certificate only if we receive the notice from a certificateholder.

The Federal Reserve Bank 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.

## **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 first business day following the 25th day of the month. We refer to this as a distribution date. We will make the first payments for each issue of certificates on the distribution date in the month after the month of issuance. We will pay the certificateholder who is listed as the holder in the records of any Federal Reserve Bank as of the record date. The record date is the last day of the month immediately preceding the month in which the distribution date occurs.

***Interest Distributions.*** We will pass through interest on the Mega certificates in an amount equal to the aggregate amount of interest actually distributed on the same distribution date on the underlying MBS certificates and the underlying Mega certificates.

***Principal Distributions.*** We will pass through principal on the Mega certificates in an amount equal to the aggregate amount of principal actually distributed on the same distribution date on the underlying MBS certificates and the underlying Mega certificates.

We will make these distributions to certificateholders according to their fractional undivided interest in the Mega trust.

To the extent that, as a result of negative amortization on any adjustable-rate mortgage loans, accrued interest is added to the principal of the underlying MBS certificates, the same amount will be added to the outstanding principal of the Mega certificates. This addition will be allocated to certificateholders according to their fractional undivided interest in the Mega trust.

## **Reports to Certificateholders**

***Monthly Reports.*** Each certificateholder who is listed as the holder in the records of any Federal Reserve Bank will be provided the information below with respect to each payment, adjusted to reflect the certificateholder's pro rata interest in the related Mega trust fund as of the distribution date:

- the amount due on the certificates on that distribution date on account of total scheduled and unscheduled principal;
- the amount due on the certificates on that distribution date on account of interest;
- the total cash distribution on the certificates on that distribution date;
- the amount of any deferred interest added to principal as of that distribution date as a result of negative amortization on mortgage loans backing the underlying MBS certificates;
- the principal balance of the certificates on that distribution date after giving effect to any distribution of principal on that date and to any deferred interest added to the principal balances of the mortgage loans backing the underlying MBS certificates and related to that distribution date; and
- for pools of adjustable-rate loans, the pool accrual rate for the underlying MBS certificates for that distribution date.

***Annual Reports.*** Within a reasonable time after the end of each calendar year, we will furnish to each person who was listed as a certificateholder in the records of any Federal Reserve Bank at any time during that year a statement containing any information required by the federal income tax laws.

## **The Fannie Mae Guaranty**

We guarantee to Mega certificateholders for each distribution date, through our guaranty of the underlying MBS certificates, payment of:

- an amount equal to the borrowers' scheduled principal payments for the related due period, whether or not received, plus
- an amount equal to one month's interest on the certificates.

For fixed-rate single-family Mega certificates, interest will be paid at the pass-through rate of the underlying MBS certificates.

For adjustable-rate Mega certificates, interest will be paid at the weighted average of the then current pool accrual rates of the underlying MBS certificates, minus, in each case, the aggregate amount of any deferred interest which is added to the principal balance of the mortgage loans in the underlying MBS pools.

For multifamily Mega certificates, interest will be paid at the weighted average of the pass-through rates of the underlying MBS certificates.

In addition, we guarantee, through our guaranty of the underlying MBS certificates, the full and final payment of the unpaid principal balance of the underlying MBS certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the underlying MBS certificates.

If we were unable to perform our guaranty obligations, certificateholders would receive only the payments that borrowers actually make and other recoveries on the mortgage loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. If that happens, delinquencies and defaults on the mortgage loans would directly affect the amounts that certificateholders would receive each month.

**The Mega certificates (including the underlying MBS certificates) and payments of principal and interest on the Mega certificates (including the underlying MBS 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. We alone are responsible for making payments on our guaranty.**

## **Events of Default**

Any of the following events will be considered an event of default under the trust agreement for an issue of Mega certificates:

- if we fail to make a required payment to the related certificateholders, and our failure continues uncorrected for 15 days after certificateholders owning at least 5% of that issue of certificates have given us written notice of nonpayment; or
- if we fail in any material way to fulfill any of our other obligations under the trust agreement or the related issue supplement, and our failure continues uncorrected for 60 days after certificateholders owning at least 25% of that issue of certificates have given us written notice; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

If one of the events of default occurs and continues uncorrected, certificateholders who own at least 25% of the related issue of Mega certificates will have the right to terminate all of our rights and obligations under the trust agreement for that issue. These obligations include our duties as trustee and in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of certificateholders that has the right to terminate us also may appoint a successor to all of our terminated obligations. This successor will take legal title to the underlying MBS certificates and

any underlying Mega certificates included in the related Mega trust fund. The acts of certificateholders to terminate us and appoint a successor must be in writing.

### **Voting as MBS Certificateholder**

Holders of MBS certificates have rights to vote and participate in decisionmaking on some matters under the MBS trust indenture. These matters include giving directions to the trustee, amending the trust indenture, waiving provisions of the trust indenture and removing the trustee. The percentage of ownership interests required for actions by the certificateholders differs for different types of action. For information about these percentages, refer to the MBS prospectus or prospectuses for the underlying MBS certificates. In our capacity as trustee under the Mega trust agreement, we may exercise the rights of an MBS certificateholder with respect to the underlying MBS certificates. In doing so, we will follow the directions of certificateholders who own at least a 66% fractional undivided ownership interest in that issue of Mega certificates. We will not take any action as owner of the MBS certificates unless Mega certificateholders who own at least a 66% fractional undivided ownership interest in that issue of Mega certificates agree and so instruct us.

### **Amendment**

We may amend the trust agreement for an issue, without notifying or obtaining the consent of the related certificateholders, to do any of the following:

- add to our duties;
- evidence that another party has become our successor and has assumed our duties under the trust agreement in our capacity as trustee or in our corporate capacity or both;
- eliminate any of our rights in our corporate capacity under the trust agreement; and
- cure any ambiguity or correct or add to any provision in the trust agreement or the related issue supplement, so long as no certificateholder is adversely affected.

In addition, if certificateholders owning at least 66% of an issue of certificates give their consent, we may amend the trust agreement for that issue to eliminate, change or add to the terms of the trust agreement or its issue supplement or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of certificateholders who must give their consent to the types of amendments listed in the preceding sentence unless all certificateholders of an issue have agreed. In addition, unless each affected certificateholder consents, no amendment may reduce or delay the funds that are required to be distributed on any Mega certificate.

### **Termination**

Our obligations under the trust agreement with respect to each Mega issue will terminate when the last underlying MBS certificate or any underlying Mega certificate backing that Mega issue has been repaid and the proceeds have been distributed to the certificateholders.

The Mega trust agreement does not give us the right to repurchase any of the underlying MBS certificates. However, the MBS trust indenture for each issue of underlying MBS certificates gives us the right to purchase all of the remaining mortgage loans in an MBS pool when the MBS pool principal balance is reduced below a certain level. Refer to the applicable MBS prospectus to determine when we can exercise our rights to repurchase the mortgage loans. If after those mortgage loans are repurchased, no underlying MBS certificates remain in the trust for the related issue of Mega certificates, the Mega trust will terminate and the proceeds from the repurchase will be paid to the Mega certificateholders in retirement of that issue of Mega certificates.

## **YIELD CONSIDERATIONS, MATURITY AND PREPAYMENT ASSUMPTIONS**

Because payments from the underlying MBS certificates are passed through directly on the Mega certificates, the yield considerations, maturity and prepayment assumptions associated with an investment in the Mega certificates are those described in the MBS prospectus or prospectuses for the underlying MBS certificates.

Please refer to the discussions of yield considerations, maturity and prepayment assumptions in those MBS prospectuses, as applicable.

### **Effective Yield**

Generally, if you purchase a Mega certificate at a discount and the rate at which principal is paid on the mortgage loans backing the underlying MBS certificates is slower than you anticipated, your yield on that Mega certificate will be less than what you expected it would be. Similarly, if you purchase a Mega certificate at a premium and the rate at which principal is paid on the mortgage loans backing the underlying MBS certificates is faster than you anticipated, your yield on that Mega certificate also will be less than you expected.

Even if the average rate at which principal is paid on the mortgage loans backing the underlying MBS certificates is consistent with your expectations, how that average rate may have varied 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 prepayment during any period is faster or slower than you anticipated, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the effect of the earlier rate on the yield.

In addition, because interest accrues on the underlying MBS certificates during each calendar month but is not paid to certificateholders until the 25th day of the following month, the effective yield will be less than it would be if we paid interest earlier. As a result, the market value of the Mega certificates will be correspondingly reduced.

**You must make your own decision as to the principal prepayment assumptions you will use in deciding whether to purchase the Mega certificates.**

### **Prepayment Considerations**

The rate of principal payments on the underlying MBS certificates will depend on the rate of principal payments on the underlying mortgage loans. Principal payments will occur as a result of scheduled amortization, prepayments and repurchases. For a discussion of the effects of these factors on the underlying MBS certificates, please refer to the MBS prospectus or prospectuses for the underlying MBS certificates.

## **MARGINABILITY; REPURCHASE AGREEMENTS**

The Mega certificates are exempted securities for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange and transactions in the Mega certificates, including repurchase agreements, are treated under those rules in the same manner as transactions in MBS certificates.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

Our special tax counsel, Arnold & Porter, has delivered an opinion to us that each trust will not be classified as an association taxable as a corporation for federal income tax purposes but instead will be classified as a trust under subpart E of part I of subchapter J of the Internal Revenue Code, and that a beneficial owner of a Mega certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the MBS certificates that directly or indirectly underlie that Mega

certificate. For a general discussion of the federal income tax consequences of the ownership of MBS certificates, see the discussion about federal income tax consequences in the MBS prospectus or prospectuses for the underlying MBS certificates.

### **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act and the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on some entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities collectively as plans. Any person who is a fiduciary of a plan also is subject to the requirements imposed by ERISA and the Code. Before a plan invests in any Mega certificate, the plan fiduciary must consider whether the governing instruments for the plan would permit the investment, whether the Mega certificates would be 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 the Code for which no exemption is available.

The U.S. Department of Labor has issued a regulation covering the acquisition by a plan of a guaranteed governmental mortgage pool certificate, defined to include certificates which are backed by, or evidencing an interest in specified mortgages or participation interests therein and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgages underlying the certificate or the sponsor, trustee and other servicers of the 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 mortgages in the pool. Our counsel, Morrison & Foerster LLP, has advised us that the Mega certificates qualify under the definition of guaranteed governmental mortgage pool certificates and, as a result, the purchase and holding of Mega 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 and the Code.

### **LEGAL OPINION**

If you purchase Mega 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 Mega certificates, the trust agreement and the related issue supplement.