

\$1,237,470,564 (Approximate)



**Guaranteed Grantor Trust Pass-Through Certificates  
Fannie Mae Grantor Trust 2002-T4**

Carefully consider the risk factors beginning on page 7 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates, together with interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

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

**The Certificates**

We, the Federal National Mortgage Association (“Fannie Mae”), will issue and guarantee the certificates listed in the chart on this page. The certificates will represent beneficial ownership interests in the trust assets.

**Payments to Certificateholders**

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

- interest to the extent accrued as described in this prospectus, and
- principal to the extent available for payment as described in this prospectus.

**The Fannie Mae Guaranty**

We will guarantee that the payments of monthly interest and principal described above are paid to investors on time and that any outstanding principal balance of each class of certificates is paid on the final distribution date.

**The Trust and Its Assets**

The trust will own fixed-rate, first lien, one- to four-family, fully amortizing mortgage loans insured by the Federal Housing Administration or partially guaranteed by the Veterans Administration and having the characteristics described herein.

Class	Original Class Balance(1)	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Assumed Maturity Date(3)
A1	\$ 390,484,486	PT	6.5%	FIX	31392B6T8	December 2031
A2	340,095,994	PT	7.0	FIX	31392B6U5	December 2031
A3	441,792,703	PT	7.5	FIX	31392B6V3	December 2031
A4	63,113,243	PT	9.5	FIX	31392B6W1	December 2031
IO	1,139,463,049(4)	NTL	(5)	WAC/IO	31392B6Y7	December 2031
PO	1,984,138	PT/CPT	(6)	PO	31392B6X9	December 2031

(1) May vary by plus or minus 5%.

(2) See “Description of the Certificates—Class Definitions and Abbreviations.”

(3) The Assumed Maturity Date is calculated assuming the maturity dates of the mortgage loans are not modified. **Fannie Mae does not guarantee payment in full of the principal balances of the certificates on any Assumed Maturity Date.** Fannie Mae will guarantee payment in full of the principal balances of the certificates no later than the distribution date in December 2041.

(4) The IO Class will be a notional class, will not have a principal balance and will bear interest on its notional principal balance.

(5) The IO Class will bear interest during the initial interest accrual period at a per annum rate equal to approximately 0.44540%. During each subsequent interest accrual period, the IO Class will bear interest as described in this prospectus.

(6) The PO Class will be a principal only class and will not bear interest.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be February 28, 2002.

**LEHMAN BROTHERS**

January 31, 2002

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### **AVAILABLE INFORMATION**

You should purchase the certificates only if you have read and understood this prospectus and our current Information Statement dated March 30, 2001 and its supplements (the "Information Statement"), which we are incorporating by reference in this prospectus.

You can obtain the Information Statement or additional copies of this prospectus by writing Fannie Mae at:

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Area 2H-3S  
Washington, D.C. 20016.

This prospectus, the Information Statement, and the class factors, are available on our website located at <http://www.fanniemae.com>. You can also obtain them by calling the Fannie Mae Helpline at 1-800-237-8627 or 202-752-6547.

You also can obtain additional copies of this prospectus by writing the dealer at:

Lehman Brothers Inc.  
Prospectus Department  
c/o ADP Services  
55 Mercedes Way  
Edgewood, New York 11717  
(telephone: 631-254-7106).

## **REFERENCE SHEET**

**This reference sheet is not a summary of the transaction and does not contain complete information about the certificates. You should purchase the certificates only after reading this prospectus in its entirety and the Information Statement referred to on page 3.**

### **The Certificates**

- The certificates will represent beneficial ownership interests in Fannie Mae Grantor Trust 2002-T4.
- The assets of the trust will consist of fixed-rate, first lien, one- to four-family, fully amortizing mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs.

### **Certain Characteristics of the Mortgage Loans**

Each of the mortgage loans was originated in accordance with the underwriting guidelines of the FHA or VA and included in a Ginnie Mae pool. Generally, each mortgage loan was subsequently repurchased from a Ginnie Mae pool after a delinquency on the loan was not cured for at least 90 days. The mortgage loans are now reperforming as and to the extent described in the section of this prospectus entitled "The Mortgage Loans."

The table appearing in Exhibit A sets forth certain summary information regarding the assumed characteristics of the mortgage loans.

### **Class Factors**

The class factors are numbers that, when multiplied by the initial principal balance or notional balance of a certificate, can be used to calculate the current principal balance or notional balance of that certificate (after taking into account distributions in the same month). We will publish the class factors for the certificates on or shortly after the 23rd day of each month.

### **Settlement Date**

We expect to issue the certificates on February 28, 2002.

### **Distribution Dates**

We will make payments on the certificates on the 25th day of each calendar month, or the next business day if the 25th day is not a business day, beginning in March 2002.

### **Book-Entry Certificates**

We will issue the certificates in book-entry form through The Depository Trust Company, which will electronically track ownership of the certificates and payments on them.

### **Interest Payments**

During each interest accrual period, the certificates will bear interest at the applicable annual interest rates listed on the cover or described in this prospectus.

### **Notional Class and Components**

The IO Class is a notional class and will bear interest as described in this prospectus on its notional principal balance. The Notional Class consists of three payment components, the IO-1 Component, the IO-2 Component and the IO-3 Component.

Each component of the IO Class will have the original notional principal balance, principal type, interest rate and interest type set forth below.

<u>Component</u>	<u>Original Notional Principal Balance</u>	<u>Principal Type</u>	<u>Interest Rate</u>	<u>Interest Type</u>
IO-1	\$295,496,537	NTL	0.38192%*	WAC
IO-2	\$339,060,566	NTL	0.41871%*	WAC
IO-3	\$504,905,946	NTL	0.50048%*	WAC

\* Initial rates. For a description of the interest rates of the IO-1, IO-2 and IO-3 Components, see “Description of the Certificates — Interest Payments on the Certificates — *Notional Class*” in this prospectus.

The notional class and its components will not receive any principal. The notional principal balance of a component is the balance used to calculate accrued interest. The notional principal balance of each component will equal the percentage of the aggregate stated principal balances specified below immediately before the related distribution date:

<u>Component</u>	
IO-1 .....	100% of the Category 1b Loans
IO-2 .....	100% of the Category 2b Loans
IO-3 .....	100% of the Category 3 Loans

See “Description of the Certificates—Interest Payments on the Certificates—*Notional Class*” and “—Yield Tables—*The IO Class*” in this prospectus.

### **Principal Only Class and Components**

The PO Class is a principal only class and will not bear interest. The PO Class consists of two payment components, the PO-1 Component and the PO-2 Component.

Each component will have the original principal balance and principal type set forth below.

<u>Component</u>	<u>Original Principal Balance</u>	<u>Principal Type</u>
PO-1	\$1,982,657	PT
PO-2	\$ 1,481	PT

See “Description of the Certificates—Principal Payments on the Certificates” and “—Yield Tables—*The PO Class*” in this prospectus.

### **Payments of Principal**

On each distribution date, we will pay the Category 1a PO Principal Distribution Amount as principal of the PO-1 Component to zero.

On each distribution date, we will pay the sum of the Category 1a Non-PO Principal Distribution Amount and Category 1b Principal Distribution Amount as principal of the A1 Class to zero.

On each distribution date, we will pay the Category 2a PO Principal Distribution Amount as principal of the PO-2 Component to zero.

On each distribution date, we will pay the sum of the Category 2a Non-PO Principal Distribution Amount and the Category 2b Principal Distribution Amount as principal of the A2 Class to zero.

On each distribution date, we will pay the Category 3 Principal Distribution Amount as principal of the A3 and A4 Classes, pro rata, to zero.

For a description of the Category 1a PO Principal Distribution Amount, the Category 1a Non-PO Principal Distribution Amount, the Category 1b Principal Distribution Amount, the Category 2a PO Principal Distribution Amount, the Category 2a Non-PO Principal Distribution Amount, the

Category 2b Principal Distribution Amount and the Category 3 Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

### Guaranty Payments

We guarantee that we will pay to the holders of certificates (i) all required installments of principal and interest on the certificates on time and (ii) the remaining principal balance of each class of certificate no later than the distribution date in .

### Weighted Average Lives (years) \*

Class	CPR Prepayment Assumption						
	0%	9%	12%	17%	21%	25%	30%
A1 .....	16.7	7.9	6.4	4.8	3.9	3.3	2.7
A2 .....	17.4	8.0	6.5	4.9	4.0	3.3	2.7
A3 and A4 .....	17.0	8.0	6.5	4.9	4.0	3.3	2.7
IO .....	17.1	8.0	6.5	4.8	4.0	3.3	2.7
PO .....	16.5	7.8	6.4	4.8	3.9	3.3	2.7

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus.

## RISK FACTORS

We describe below some of the risks associated with an investment in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

### Suitability

*The certificates may not be a suitable investment.* The certificates are not a suitable investment for every investor. Before investing, you should consider carefully the following:

- You should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in this prospectus and the Information Statement.
- You should thoroughly understand the terms of the certificates.
- You should be able to evaluate (either alone or with the help of a financial advisor) the economic, interest rate and other factors that may affect your investment.
- You should have sufficient financial resources and liquidity to bear all risks associated with the certificates.
- You should 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.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice to determine whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

### Yield Considerations

*Factors that affect your yield.* Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the mortgage loans;

- if and when the mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans are repurchased;
- the actual characteristics of the mortgage loans; and
- in the case of the IO Class, fluctuations in the weighted average of the net mortgage rates of the related mortgage loans.

*Yields may be lower than expected due to unexpected rate of principal payment.* The actual yield on your certificates probably will be lower than you expect:

- if you bought your certificates (including the IO Class) at a premium and principal payments on the related mortgage loans are faster than you expect, or
- if you bought your certificates (including the PO Class) at a discount and principal payments on the related mortgage loans are slower than you expect.

Furthermore, in the case of certificates purchased at a premium (including the IO Class), you could lose money on your investment if prepayments occur at a rapid rate.

In addition, in the case of the IO Class, if a disproportionately high rate of prepayments occurs on mortgage loans with relatively higher interest rates, the yields on those certificates will decrease and may be lower than you expect.

Even if the mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations in the prepayment rate over time could significantly affect your yield. Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may



not fully offset the impact of the earlier prepayment rate on your yield.

Under certain circumstances, collections of interest on the mortgage loans may be reduced. Nevertheless, we guarantee that you will receive the full amount of interest due on your certificates regardless of any such reduction in interest collected on the mortgage loans.

We used certain assumptions concerning the mortgage loans in preparing certain tabular information in this prospectus. If the actual mortgage loan characteristics differ even slightly from those assumptions, the weighted average life and yield of the certificates will be affected.

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

*Unpredictable timing of last payment affects yield on certificates.* The actual final payment on the certificates may occur earlier, and could occur much earlier, than the distribution date occurring in December 2041. If you assumed the actual final payment would occur on the distribution date occurring in December 2041, your yield could be lower than you expect.

*Delayed payments reduce yield and market value.* Because the certificates do not receive interest immediately following each interest accrual period, the certificates have lower yields and lower market values than they would if there were no such delay.

## **Prepayment Considerations**

The rate of principal payments on the certificates of a particular class generally will depend on the rate of principal payments on the mortgage loans. Principal payments on the mortgage loans may occur as a result of scheduled amortization or prepayments. The rate of principal payments is likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans, FHA insurance payments and VA guarantee payments, as well as because borrowers generally may prepay the mortgage loans at any time without penalty.

It is highly unlikely that the mortgage loans will prepay:

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

In general FHA and VA mortgage loans may be assumed by creditworthy purchasers of mortgaged properties from the original borrowers. In this way, property sales by borrowers can affect the rate of prepayment. In addition, if borrowers are able to refinance their loans by obtaining new loans secured by the same properties, any refinancing will affect the rate of prepayment. Furthermore, the seller made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans if they materially breach those representations and warranties. Any such repurchases will increase the rate of prepayment.

Under certain circumstances described in this prospectus, the seller is required to repurchase delinquent mortgage loans from the trust. In addition, under certain limited circumstances, Fannie Mae has the option to repurchase from the trust any loan whose interest rate has been modified. Any such repurchase will have the same effect on the related certificates as borrower prepayments.

In addition, the servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on a mortgage loan (but not beyond December 2041). To the extent that the servicer so recasts the amortization schedule or extends the term of a mortgage loan, the weighted average lives of the related class or classes of certificates could be extended.

Once the combined balance of the mortgage loans is reduced to 5% or less of its original level, the servicer may purchase all the remaining mortgage loans. If the servicer does not purchase the loans, Fannie Mae may do so. If the mortgage loans are purchased in this way, it would have the same effect as a prepayment in full of all the mortgage loans.



In general, prepayment rates may be influenced by:

- the level of current interest rates relative to the rates borne by the mortgage loans,
- homeowner mobility,
- existence of any prepayment premiums or prepayment restrictions,
- the general creditworthiness of the borrowers,
- repurchases of mortgage loans from the pools, and
- general economic conditions.

Because so many factors affect the prepayment rate of the mortgage loans, we cannot estimate the prepayment experience of the mortgage loans.

### **Reinvestment Risk**

Generally, a borrower may prepay a mortgage loan at any time. As a result, we cannot predict the amount of principal payments on the certificates. The certificates may not be an appropriate investment for you if you require a specific amount of principal on a regular basis or on a specific date. Because interest rates fluctuate, you may not be able to reinvest the principal payments on the certificates at a rate of return that is as high as your rate of return on the certificates. You may have to reinvest those funds at a much lower rate of return. You should consider this risk in light of other investments that may be available to you.

### **Market and Liquidity Considerations**

We cannot be sure that a market for resale of the certificates will develop. Further, if a

market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors.

A number of factors may affect the resale of certificates, including:

- the method, frequency and complexity of calculating principal and interest;
- the characteristics of the mortgage loans;
- past and expected prepayment levels of the mortgage loans and comparable loans;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the certificates;
- the availability of comparable securities;
- the level, direction and volatility of interest rates generally; and
- general economic conditions.

### **Fannie Mae Guaranty Considerations**

If we were unable to perform our guaranty obligations, certificateholders would receive only borrower payments and other recoveries on the mortgage loans. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

## **GENERAL**

The material under this heading summarizes certain features of the Certificates and is not complete. You will find additional information about the Certificates in the other sections of this prospectus, as well as in the Information Statement and the Trust Agreement. If we use a capitalized term in this prospectus without defining it, you will find the definition of that term in the Trust Agreement.

*Structure.* We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*), will create the Fannie Mae Grantor Trust specified on the cover of this prospectus (the “Trust”)

pursuant to a trust agreement (the “Trust Agreement”) dated as of February 1, 2002 (the “Issue Date”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). We will issue the Certificates pursuant to the Trust Agreement.

The assets of the Trust will consist of the Mortgage Loans and will evidence the entire beneficial ownership interest in the payments of principal and interest on the Mortgage Loans. The Mortgage Loans are insured by the Federal Housing Administration (“FHA”) or partially guaranteed by the U.S. Department of Veterans Affairs (“VA”) and, as a result of past delinquency, have been repurchased from Ginnie Mae pools.

*Characteristics of Certificates.* The Certificates will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“DTC”), a New York-chartered limited purpose trust company, or any successor or depository selected or approved by us. We refer to the nominee of DTC as the “Holder” or “Certificateholder”. DTC will maintain the DTC Certificates through its book-entry facilities.

A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations.

See “Description of the Certificates—Book-Entry Procedures” in this prospectus.

*Fannie Mae Guaranty.* We guarantee that we will pay to the Holders of Certificates:

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance of each Class of Certificates no later than the Distribution Date in December 2041, whether or not we have received sufficient payments.

If we were unable to perform these guaranty obligations, Certificateholders would receive only the amounts paid or advanced and other recoveries on the Mortgage Loans. If that happened, delinquencies and defaults on the Mortgage Loans would directly affect the amounts that Certificateholders would receive each month. Our guaranty is not backed by the full faith and credit of the United States.

*Distribution Dates.* We will make monthly payments on the 25th day of each calendar month, or the next business day if the 25th is not a business day. We refer to each such date as a “Distribution Date.” We will make the first payments to Certificateholders in March 2002.

*Record Date.* On each Distribution Date, we will make each monthly payment on the Certificates to Holders of record on the last day of the preceding month.

*Class Factors.* On or shortly after the 23rd calendar day of each month, we will publish a class factor (carried to eight decimal places) for each Class of Certificates. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the remaining principal balance (or notional principal balance) of that Certificate after taking into account payments on the Distribution Date in the same month.

*Authorized Denominations.* We will issue the Classes of Certificates in minimum denominations of \$1,000 and whole dollar increments above that amount.

*Optional Termination.* Either the Servicer or we may effect an early termination of the Trust as described herein under “The Trust Agreement—Termination.”

## THE MORTGAGE LOANS

### General

We expect that the Trust will consist of approximately 14,967 mortgage loans (collectively, the “Mortgage Loans”) having an aggregate principal balance of approximately \$1,237,470,565, as of the

Issue Date. This aggregate amount may vary by plus or minus 5%. Fannie Mae, as purchaser, and Lehman Capital, A Division of Lehman Brothers Holdings Inc., as seller (the “Seller”) and servicer (the “Servicer”), will be parties to a sale and servicing agreement dated as of the Issue Date (the “Sale and Servicing Agreement”).

The Mortgage Loans consist of fixed-rate first lien, one- to four-family, fully amortizing mortgage loans. All of the Mortgage Loans are FHA-insured or partially guaranteed by the VA. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first mortgage or deed of trust on a one-to-four-family residential property. Each Mortgage Note requires the borrower to make monthly payments of principal and interest. We refer to the property that secures repayment of a Mortgage Loan as the “Mortgaged Property.”

Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make payments by a scheduled day of each month. This day is fixed at the time of origination. In addition, each Mortgage Loan provides that each borrower must pay interest on its outstanding principal balance at the rate specified or described in the related Mortgage Note (the “Mortgage Interest Rate”). Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a payment earlier or later than the scheduled due date, the amortization schedule will not change, nor will the relative application of such payment to principal and interest.

The information shown on Exhibit A summarizes certain assumed characteristics of the Mortgage Loans as of the Issue Date. The information in the tables is presented in aggregated form, on the basis of the characteristics specified in the tables, and does not reflect actual or assumed characteristics of any individual Mortgage Loan. The information in the tables does not give effect to prepayments received on the Mortgage Loans on or after the Issue Date.

Each of the Mortgage Loans was originated in accordance with the underwriting guidelines of FHA or VA, as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of the Government National Mortgage Association (“Ginnie Mae”). Substantially all the Mortgage Loans were pooled with Ginnie Mae and then purchased from the Ginnie Mae pool when the Mortgage Loan had a delinquency that was not cured for at least 90 days.

The table below shows the contractual delinquency of the Mortgage Loans as of the Issue Date (based on aggregate principal balance). A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the Mortgage Loan have not been cured.

**Contractually Delinquent**

Less than 30 days .....	73.75%
30 – 59 days .....	14.53%
60 – 89 days .....	7.11%
90 – 119 days .....	3.36%
120 days .....	1.26%

As of the Issue Date, no Mortgage Loan was more than 120 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Mortgage Loan from the Trust based upon the Issue Date contractual delinquency of such Mortgage Loan. However, if at any time the aggregate principal balance of Mortgage Loans which are 90 days or more delinquent (“90+ Delinquent Loans”) exceeds 49.00% of the aggregate principal balance of the Mortgage Loans, the Seller is required to repurchase sufficient 90+ Delinquent Loans to cause the trust to hold 90+ Delinquent Loans with an aggregate principal balance of less than or equal to 49.00% of the aggregate principal balance of the Mortgage Loans.

## Mortgage Loan Characteristics

The following tables set forth certain information, as of the Issue Date, as to the Mortgage Loans. References to “Aggregate Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

### Issue Date Loan Principal Balances (1)

<u>Issue Date Mortgage Loan Principal Balances</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Principal Balance</u>
\$ 0.01– 50,000.00 .....	3,103	\$ 109,173,260.09	8.82%
\$ 50,000.01–100,000.00 .....	7,499	549,020,596.29	44.37
\$100,000.01–150,000.00 .....	3,398	408,116,013.34	32.98
\$150,000.01–200,000.00 .....	815	136,959,633.62	11.07
\$200,000.01–250,000.00 .....	127	27,561,777.32	2.23
\$250,000.01–300,000.00 .....	25	6,639,284.47	0.54
Total .....	<u>14,967</u>	<u>\$1,237,470,565.13</u>	<u>100.00%</u>

(1) As of the Issue Date, the average principal balance for the Mortgage Loans is expected to be approximately \$82,680.

### Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Principal Balance</u>
5.50001– 6.00000 .....	2	\$ 164,031.54	0.01%
6.00001– 6.50000 .....	88	7,589,593.39	0.61
6.50001– 7.00000 .....	975	89,138,577.08	7.20
7.00001– 7.50000 .....	3,361	295,574,941.50	23.89
7.50001– 8.00000 .....	3,368	288,011,006.27	23.27
8.00001– 8.50000 .....	3,828	315,215,573.51	25.47
8.50001– 9.00000 .....	1,933	161,738,746.48	13.07
9.00001– 9.50000 .....	816	55,288,482.50	4.47
9.50001–10.00000 .....	286	13,231,333.28	1.07
10.00001–10.50000 .....	155	6,690,420.75	0.54
10.50001–11.00000 .....	38	1,507,252.66	0.12
11.00001–11.50000 .....	36	1,047,439.55	0.08
11.50001–12.00000 .....	20	551,992.60	0.04
12.00001–12.50000 .....	26	755,469.73	0.06
12.50001–13.00000 .....	17	469,987.43	0.04
13.00001–13.50000 .....	13	377,001.05	0.03
13.50001–14.00000 .....	2	62,546.77	0.01
14.00001–14.50000 .....	1	16,191.01	0.00
15.00001–15.50000 .....	2	39,978.03	0.00
Total .....	<u>14,967</u>	<u>\$1,237,470,565.13</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average mortgage interest rate of the Mortgage Loans is expected to be approximately 8.125%.

### Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance
61-120.....	3	\$ 108,239.42	0.01%
121-180.....	330	14,471,278.05	1.17
181-240.....	135	9,511,631.82	0.77
241-300.....	77	4,294,167.42	0.35
301-360.....	14,422	1,209,085,248.42	97.71
Total .....	<u>14,967</u>	<u>\$1,237,470,565.13</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Mortgage Loans is expected to be 357 months.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance
1- 12.....	8	\$ 25,056.91	0.00%
13- 24.....	13	59,350.99	0.00
25- 36.....	23	230,337.88	0.02
37- 48.....	27	250,537.83	0.02
49- 60.....	80	936,522.92	0.08
61- 72.....	134	2,381,277.92	0.19
73- 84.....	144	3,195,698.65	0.26
85- 96.....	114	3,015,068.34	0.24
97-108.....	32	1,130,506.07	0.09
109-120.....	37	1,579,358.87	0.13
121-132.....	50	2,208,594.80	0.18
133-144.....	77	3,274,037.82	0.26
145-156.....	65	3,679,040.52	0.30
157-168.....	63	3,233,485.44	0.26
169-180.....	371	17,286,543.40	1.40
181-192.....	347	16,152,601.36	1.31
193-204.....	164	8,057,211.77	0.65
205-216.....	149	7,767,652.23	0.63
217-228.....	154	9,859,039.05	0.80
229-240.....	183	10,703,057.31	0.86
241-252.....	499	31,197,807.21	2.52
253-264.....	910	63,729,485.27	5.15
265-276.....	415	26,597,178.69	2.15
277-288.....	601	42,462,840.64	3.43
289-300.....	506	37,135,728.82	3.00
301-312.....	917	74,794,099.18	6.04
313-324.....	2,355	219,348,546.13	17.73
325-336.....	3,704	363,537,637.51	29.38
337-348.....	2,579	256,867,626.78	20.76
349-360.....	246	26,774,634.82	2.16
Total .....	<u>14,967</u>	<u>\$1,237,470,565.13</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Mortgage Loans is expected to be approximately 308 months.

## Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance
California .....	1,833	\$ 200,488,880.13	16.20%
Texas .....	1,967	125,980,134.46	10.18
Florida .....	1,639	121,218,277.21	9.80
New York .....	776	95,156,038.24	7.69
Georgia .....	754	63,730,660.41	5.15
Other .....	7,998	630,896,574.68	50.98
Total .....	<u>14,967</u>	<u>\$1,237,470,565.13</u>	<u>100.00%</u>

### Fannie Mae Mortgage Purchase Program

#### *General*

We summarize below certain aspects of our program for purchasing residential mortgage loans for inclusion in a given pool. We may grant exceptions to the requirements of the program for a particular transaction. In several instances, the characteristics of the Mortgage Loans included in the Trust do not match the criteria described below. For more specific details regarding the Mortgage Loans included in the Trust see “The Mortgage Loans—General” above.

#### *Eligible Lenders*

We purchase mortgage loans from the following types of eligible institutions:

- federally and state-chartered savings and loan associations, mutual savings banks, commercial banks and similar financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Administration (“NCUA”);
- state-insured financial institutions; and
- financial institutions, principally mortgage bankers, and finance companies that are Fannie Mae-approved mortgage sellers.

We determine whether to approve a particular financial institution as a lender under our purchase program by applying certain criteria which generally include depth of mortgage origination experience, servicing experience and financial capacity.

We will enter into a Fannie Mae Mortgage Selling and Servicing Contract with each approved lender.

#### *Eligible Mortgage Loans*

We may include both residential property loans and cooperative share loans in a given pool. Unless we make an exception, each mortgage loan that we include in a pool will comply with the terms of our current Selling Guide and, if underwritten through Desktop Underwriter\*, our Guide to Underwriting with Desktop Underwriter (or any of our multifamily guides in the case of a Mortgage Loan secured by a multifamily property). Generally, we do not include construction loans or land development loans in our pools.

A “residential property loan” is a mortgage loan that is secured by a mortgage or similar instrument on (1) a single-family residence (including a unit in a condominium project or planned unit development) or a manufactured home or (2) a multifamily project with five or more apartments. A “cooperative share loan” is a mortgage loan secured by the stock, shares, membership agreement or other contractual agreements that evidence the borrower’s ownership in the cooperative as well as the

\* Desktop Underwriter® is our automated underwriting software application.



assignment of the occupancy rights to the borrower's dwelling unit in the cooperative. Each mortgage loan will be documented by an FHA or VA mortgage or other instrument that we accept. Each mortgage loan also will comply with all applicable federal and local laws, including laws covering usury, equal credit opportunity and disclosure.

We do not require that payments on every mortgage loan that we can include in a pool be due on the first day of the month.

In general, no mortgage loan can have a maturity date later than 30 years after origination.

#### *Additional Considerations*

Our Selling Guide requires that each lender that sells us conventional mortgage loans under our purchase program assume responsibility for underwriting these loans using the same underwriting criteria that we apply to our portfolio purchases. (We can, however, grant exceptions to these criteria.) Using a random selection process, we review the quality of the credit and property underwriting applied to these loans.

## **DESCRIPTION OF THE CERTIFICATES**

### **Book-Entry Procedures**

*General.* The Certificates will be registered at all times in the name of the nominee of DTC. Under its normal procedures, DTC will record the amount of Certificates held by each firm which participates in the book-entry system of DTC (each, a "DTC Participant"), whether held for its own account or on behalf of another person. Initially, we will act as paying agent for the Certificates. In addition, State Street Bank and Trust Company ("State Street") will perform certain administrative functions in connection with the Certificates.

A "beneficial owner" or an "investor" is anyone who acquires a beneficial ownership interest in the Certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a "financial intermediary") that maintains an account for you. In turn, the record ownership of the financial intermediary that holds your Certificates will be recorded by DTC. If the intermediary is not a DTC Participant, the record ownership of the intermediary will be recorded by a DTC Participant acting on its behalf. Therefore, you must rely on these various arrangements to transfer your beneficial ownership interest in the Certificates only under the procedures of your financial intermediary and of DTC Participants. In general, ownership of Certificates will be subject to the prevailing rules, regulations and procedures governing the DTC and DTC Participants.

*Method of Payment.* We will direct payments on the Certificates to DTC in immediately available funds. In turn, DTC will credit the payments to the accounts of the appropriate DTC Participants, in accordance with the DTC's procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York Clearing House. DTC Participants and financial intermediaries will direct the payments to the investors in DTC Certificates that they represent.

### **Interest Payments on the Certificates**

*Interest Calculation.* We will pay interest on the Certificates at the applicable annual interest rates shown on the cover or described in this prospectus. We will calculate interest based on a 360-day year consisting of twelve 30-day months. We will pay interest monthly, on each Distribution Date, beginning in March 2002.



*Interest Accrual Period.* Interest to be paid on each Distribution Date will accrue on the interest bearing Certificates (the “Delay Classes”) during the calendar month preceding the month in which that Distribution Date occurs (the “Interest Accrual Period”).

The Dealer will treat the PO Class as a Delay Class solely for the purpose of facilitating trading.

*Notional Class.* The IO Class will be a Notional Class and will consist of three payment components, the IO-1 Component, the IO-2 Component and the IO-3 Component. The IO-1 Component, IO-2 Component and IO-3 Component will have no principal balances. The payment characteristics of the IO Class will reflect a combination of the payment characteristics of the related components. Components are not separately transferable from the related Class of Certificates.

During each Interest Accrual Period, the IO-1 Component will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Category 1b Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 6.50%. The notional principal balance of the IO-1 Component will equal 100% of the aggregate Stated Principal Balance of the Category 1b Loans.

During each Interest Accrual Period, the IO-2 Component will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Category 2b Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 7.00%. The notional principal balance of the IO-2 Component will equal 100% of the aggregate Stated Principal Balance of the Category 2b Loans.

During each Interest Accrual Period, the IO-3 Component will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Category 3 Loans (weighted on the basis of their respective Stated Principal Balances) *minus* the weighted average of the interest rates of the A3 Class and the A4 Class (weighted on the basis of their respective principal balances). The notional principal balance of the IO-3 Component will equal 100% of the aggregate Stated Principal Balance of the Category 3 Loans.

We define certain capitalized terms used in this section under “—Certain Definitions Relating to Payments on the Certificates” below.

We use the notional principal balance of a Notional Class to determine interest payments on that Class. Although a Notional Class will not have a principal balance and will not be entitled to any principal payments, we will publish a class factor for that Class. References in this prospectus to the principal balances of the Certificates generally shall refer also to the notional principal balances of the Notional Classes.

*Categories of Classes and Components—Interest.* For the purpose of interest payments, the Classes and Components will be categorized as follows:

<u>Interest Type*</u>	<u>Classes and Components</u>
Fixed Rate . . . . .	A1, A2, A3 and A4
Principal Only . . . . .	PO-1 and PO-2
Interest Only . . . . .	IO-1, IO-2 and IO-3
Weighted Average Coupon . . . . .	IO-1, IO-2 and IO-3

\* See “—Class Definitions and Abbreviations” below.

## Principal Payments on the Certificates

*General.* The outstanding principal balance of any Certificate as of any date of determination is equal to the initial outstanding principal balance of that Certificate, reduced by all amounts previously paid as principal on that Certificate.

We define certain capitalized terms used in the two following sections under “—Certain Definitions Relating to Payments on the Certificates” below.

### *Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal in an aggregate amount (the “Principal Distribution Amount”) equal to the sum of the following:

- the Category 1a PO Principal Distribution Amount;
- the Category 1a Non-PO Principal Distribution Amount;
- the Category 1b Principal Distribution Amount;
- the Category 2a PO Principal Distribution Amount;
- the Category 2a Non-PO Principal Distribution Amount;
- the Category 2b Principal Distribution Amount; and
- the Category 3 Principal Distribution Amount.

On each Distribution Date, we will pay the Category 1a PO Principal Distribution Amount as principal of the PO-1 Component, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the sum of (i) the Category 1a Non-PO Principal Distribution Amount and (ii) the Category 1b Principal Distribution Amount as principal of the A1 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 2a PO Principal Distribution Amount as principal of the PO-2 Component, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the sum of (i) the Category 2a Non-PO Principal Distribution Amount and (ii) the Category 2b Principal Distribution Amount as principal of the A2 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 3 Principal Distribution Amount, concurrently, as principal of the A3 Class and the A4 Class, pro rata (or 87.5000000495% and 12.4999999505%, respectively), until their principal balances are reduced to zero.

We will include principal prepayments (including net liquidation proceeds) in amounts paid as principal of the Certificates on each Distribution Date, provided that the Servicer gives us information about them in time for the published class factors for that month. See “Reference Sheet—Class Factors” in this prospectus. If we do not receive the information on time, we will pay the prepayments on the next Distribution Date.

*Categories of Classes and Components—Principal.* For the purpose of principal payments, the Classes and Components will be categorized as follows:

<u>Principal Type*</u>	<u>Classes and Components</u>
Pass-Through .....	A1, A2, A3, A4, PO-1 and PO-2
Notional .....	IO-1, IO-2 and IO-3
Component.....	IO and PO

\* See “—Class Definitions and Abbreviations.”

### **Certain Definitions Relating to Payments on the Certificates**

*Category 1a Loans.* Mortgage Loans having Net Mortgage Rates lower than 6.50%.

*Category 1a Non-PO Percentage.* For any Category 1a Loan, the related Net Mortgage Rate divided by 6.50%, expressed as a percentage.

*Category 1a Non-PO Principal Distribution Amount.* For any Distribution Date, the sum of the Category 1a Non-PO Percentage of the following, without duplication:

- all monthly payments of principal due on each Category 1a Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1a Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 1a Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 1a Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on any Category 1a Loans.

*Category 1a PO Percentage.* For any Category 1a Loan, (6.50% *minus* the related Net Mortgage Rate) *divided* by 6.50%, expressed as a percentage.

*Category 1a PO Principal Distribution Amount.* For any Distribution Date, the sum of the Category 1a PO Percentage of the following, without duplication:

- all monthly payments of principal due on each Category 1a Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1a Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 1a Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 1a Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on any Category 1a Loans.

*Category 1b Loans.* Mortgage Loans having Net Mortgage Rates greater than or equal to 6.50% and lower than or equal to 6.925%.

*Category 1b Principal Distribution Amount.* For any Distribution Date, the sum of the following, without duplication:

- all monthly payments of principal due on each Category 1b Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1b Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 1b Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 1b Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on all such Category 1b Loans.

*Category 2a Loans.* Mortgage Loans having Net Mortgage Rates greater than 6.925% and lower than 7.00%.

*Category 2a Non-PO Percentage.* For any Category 2a Loan, the related Net Mortgage Rate *divided* by 7.00%, expressed as a percentage.

*Category 2a Non-PO Principal Distribution Amount.* For any Distribution Date, the sum of the Category 2a Non-PO Percentage of the following, without duplication:

- all monthly payments of principal due on each Category 2a Loan during the related Due Period, *plus*

- the Stated Principal Balance of each Category 2a Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 2a Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 2a Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on any Category 2a Loans.

*Category 2a PO Percentage.* For any Category 2a Loan, (7.00% *minus* the related Net Mortgage Rate) *divided by* 7.00%, expressed as a percentage.

*Category 2a PO Principal Distribution Amount.* For any Distribution Date, the sum of the Category 2a PO Percentage of the following, without duplication:

- all monthly payments of principal due on each Category 2a Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2a Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 2a Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 2a Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on any Category 2a Loans.

*Category 2b Loans.* Mortgage Loans having Net Mortgage Rates equal to or greater than 7.00% and lower than or equal to 7.75%.

*Category 2b Principal Distribution Amount.* For any Distribution Date, the sum of the following, without duplication:

- all monthly payments of principal due on each Category 2b Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2b Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 2b Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 2b Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on any Category 2b Loans.

*Category 3 Loans.* Mortgage Loans having Net Mortgage Rates greater than 7.75%.

*Category 3 Principal Distribution Amount.* For any Distribution Date, the sum of the following, without duplication:

- all monthly payments of principal due on each Category 3 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 3 Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Category 3 Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Category 3 Loan, *plus*
- all partial and full principal prepayments that were reported as having been received during the related Due Period from borrowers on any Category 3 Loans.

*Due Date.* For any Distribution Date, the first day of the calendar month in which that Distribution Date occurs.

*Due Period.* For any Distribution Date, the period beginning on the second day of the month immediately preceding the month in which that Distribution Date occurs and ending on the first day of the month in which that Distribution Date occurs.

*Liquidated Loan.* A defaulted Mortgage Loan with respect to which the Servicer has concluded that the full amount finally recoverable on account of that loan has been received, whether or not this amount is equal to the principal balance of that loan.

*Net Mortgage Rate.* For any Mortgage Loan, the Mortgage Interest Rate of that loan minus the sum of (i) the Servicing Fee Rate and (ii) the rate at which the Guaranty Fee is calculated with respect to that loan.

*Servicing Fee Rate.* The percentage identified on the Mortgage Loan Schedule.

*Stated Principal Balance.* The unpaid principal balance of a Mortgage Loan (or the scheduled unpaid principal balance thereof, in the case of Mortgage Loans that are delinquent) as of the Issue Date reduced by all amounts representing principal received or advanced by the Servicer and previously paid to Certificateholders with respect to that loan.

## **Class Definitions and Abbreviations**

Classes of Certificates fall into different categories. The following chart identifies and generally defines the categories of Classes specified on the cover page of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
<b>INTEREST TYPES</b>		
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
IO	Interest Only	Receives some or all of the interest payments made on the Mortgage Loans or other assets of the trust but little or no principal. Interest Only Classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate amount of interest due on an Interest Only Class. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other classes.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
<b>PRINCIPAL TYPES</b>		
CPT	Component	Consists of two or more segments or “Components.” The components of a Component class may have different principal payment characteristics but together constitute a single class.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on some or all of the Mortgage Loans.

### **Structuring Assumptions**

*Pricing Assumptions.* Except where otherwise noted, the information in the tables in this prospectus has been prepared on the basis of (i) the assumed characteristics of the Mortgage Loans set forth herein on Exhibit A and (ii) the following assumptions (collectively, the “Pricing Assumptions”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the CPR levels specified in the related table;
- neither the Servicer nor Fannie Mae exercises its repurchase option;
- the settlement date for the sale of the Certificates occurs on February 28, 2002; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in March 2002.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. *This model does not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.*

### **Yield Tables**

*General.* The tables below illustrate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Classes to various constant percentages of CPR. We calculated the yields set forth in the tables by

- determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present values of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes, and
- converting such monthly rates to corporate bond equivalent rates.



These calculations do not take into account variations in the interest rates at which you could reinvest distributions on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when such reinvestment rates are taken into account.

We cannot assure you that

- the pre-tax yields on the applicable Certificates will correspond to any of the pre-tax yields shown here or
- the aggregate purchase prices of the applicable Certificates will be as assumed.

Furthermore, because some of the Mortgage Loans are likely to have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal payments on the Certificates are likely to differ from those assumed. This would be the case even if all Mortgage Loans prepay at the indicated constant percentages of CPR. Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant percentage of CPR until maturity, or
- all of such Mortgage Loans will prepay at the same rate.

***The IO Class.* The yield to investors in the IO Class will be very sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans. The Mortgage Loans can be prepaid by the related borrowers with no prepayment premium. On the basis of the assumptions described below, the yield to maturity on the IO Class would be 0% if prepayments were to occur at a constant rate of approximately 29% CPR. If the actual prepayment rate of the Category 1b, Category 2b and Category 3 Loans were to exceed that level for as little as one month while equaling such level for the remaining months, the investors in the IO Class would lose money on their initial investments.**

We cannot assure you that:

- the Mortgage Loans will prepay at any of the assumed rates in this prospectus or at any other particular rate;
- the pre-tax yields on the IO Class will correspond to any of the pre-tax yields shown in this prospectus; or
- the aggregate purchase price of the IO Class will be the price assumed below.

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the IO Class (expressed as a percentage of the original notional principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
IO .....	1.25%

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

**Sensitivity of the IO Class to Prepayments\*  
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>% of CPR</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>21%</u>	<u>25%</u>	<u>30%</u>
IO .....	32.2%	25.1%	21.4%	15.2%	10.1%	4.8%	(2.0)%

\* Applies only to Category 1b Loans, Category 2b Loans and Category 3 Loans.



*The PO Class.* **The PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Category 1a and Category 2a Loans will have a negative effect on the yield to investors in the PO Class.**

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the PO Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price</u>
PO .....	75.0%

**Sensitivity of the PO Class to Prepayments\*  
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>% of CPR</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>21%</u>	<u>25%</u>	<u>30%</u>
PO .....	2.4%	4.1%	5.1%	7.0%	8.6%	10.3%	12.7%

\* Applies only to Category 1a Loans and Category 2a Loans.

### **Weighted Average Lives of the Certificates**

The “weighted average life” of a Certificate refers to the average length of time, weighted by principal, that will elapse from the time we issue the Certificate until we pay you the full amount of outstanding principal. We determine the weighted average life of a Certificate by:

- (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date,
- (b) summing the results, and
- (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments are made on the Mortgage Loans. For the purpose of the preceding sentence, principal payments include scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to either our guaranty of payment or our option to repurchase. The interaction of the above factors may result in differing principal prepayment speeds on the Classes of Certificates. Accordingly, we cannot give any assurance as to the weighted average lives of the Certificates.

As described under “Reference Sheet—Notional Class and Components” and “—Principal Only Class and Components,” the IO and PO Classes each consists of multiple payment components for purposes of calculating payments. Since these components are not divisible, the payment characteristics of each such Class will reflect a combination of the payment characteristics of the related components.

### **Maturity Considerations and Final Distribution Date**

We expect the maturities of substantially all of the Mortgage Loans to be between 10 and 30 years. Each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of the Mortgage Loan by its maturity date.

The “Final Distribution Date” for each Class of Certificates is the date by which the principal balance of that Class is required to be fully paid and will occur in December 2041. The Final

Distribution Date of the Certificates will be determined so that distributions on the Mortgage Loans will be sufficient to retire the Classes of Certificates on or before the Final Distribution Date without the necessity of any call on our guaranty.

### **Decrement Tables**

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various constant percentages of CPR and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions.

It is *unlikely* that all the Mortgage Loans:

- will have the interest rates or remaining terms to maturity assumed or
- will prepay at any constant percentage of the related CPR.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified constant percentages of CPR. This would be the case even if the weighted average maturities of the Mortgage Loans are identical to the weighted average maturities specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	A1 Class							A2 Class							A3 and A4 Classes						
	CPR Prepayment Assumption							CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	17%	21%	25%	30%	0%	9%	12%	17%	21%	25%	30%	0%	9%	12%	17%	21%	25%	30%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2003 .....	99	90	87	82	78	74	69	99	90	87	82	78	74	69	99	90	87	82	78	74	69
February 2004 .....	97	80	75	67	61	55	48	98	81	76	67	61	55	48	98	81	76	67	61	55	48
February 2005 .....	96	72	65	55	47	40	33	96	72	66	55	47	41	33	96	73	66	55	48	41	33
February 2006 .....	94	64	56	45	37	30	23	95	65	57	45	37	30	23	95	65	57	45	37	30	23
February 2007 .....	92	57	49	36	28	22	15	93	58	49	37	29	22	16	93	58	49	37	29	22	16
February 2008 .....	90	51	42	29	22	16	11	91	52	42	30	22	16	11	92	52	43	30	22	16	11
February 2009 .....	88	45	36	24	17	12	7	89	46	37	24	17	12	7	90	46	37	24	17	12	7
February 2010 .....	86	40	31	19	13	9	5	87	41	31	20	13	9	5	88	41	32	20	13	9	5
February 2011 .....	83	36	26	16	10	6	3	85	36	27	16	10	6	3	85	37	27	16	10	6	3
February 2012 .....	81	31	22	12	8	5	2	83	32	23	13	8	5	2	83	32	23	13	8	5	2
February 2013 .....	78	28	19	10	6	3	2	80	28	20	10	6	3	2	80	28	20	10	6	3	2
February 2014 .....	75	24	16	8	4	2	1	77	25	17	8	5	2	1	77	25	17	8	5	2	1
February 2015 .....	71	21	14	6	3	2	1	74	22	14	7	3	2	1	74	22	14	7	3	2	1
February 2016 .....	68	18	11	5	3	1	*	71	19	12	5	3	1	*	71	19	12	5	3	1	*
February 2017 .....	64	16	9	4	2	1	*	67	16	10	4	2	1	*	67	16	10	4	2	1	*
February 2018 .....	60	13	8	3	1	1	*	63	14	8	3	1	1	*	63	14	8	3	1	1	*
February 2019 .....	56	11	6	2	1	*	*	59	12	7	2	1	*	*	58	12	7	2	1	*	*
February 2020 .....	51	9	5	2	1	*	*	55	10	5	2	1	*	*	53	10	5	2	1	*	*
February 2021 .....	46	8	4	1	1	*	*	50	8	4	1	1	*	*	48	8	4	1	1	*	*
February 2022 .....	40	6	3	1	*	*	*	44	7	3	1	*	*	*	42	6	3	1	*	*	*
February 2023 .....	34	5	2	1	*	*	*	39	5	3	1	*	*	*	36	5	2	1	*	*	*
February 2024 .....	28	4	2	*	*	*	*	32	4	2	1	*	*	*	28	4	2	*	*	*	*
February 2025 .....	21	2	1	*	*	*	*	25	3	1	*	*	*	*	21	2	1	*	*	*	*
February 2026 .....	14	1	1	*	*	*	*	18	2	1	*	*	*	*	12	1	1	*	*	*	*
February 2027 .....	6	1	*	*	*	*	*	10	1	*	*	*	*	*	3	*	*	*	*	*	*
February 2028 .....	0	0	0	0	0	0	0	2	*	*	*	*	*	*	0	0	0	0	0	0	0
February 2029 .....	0	0	0	0	0	0	0	*	*	*	*	*	*	*	0	0	0	0	0	0	0
February 2030 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average																					
Life (years)** .....	16.7	7.9	6.4	4.8	3.9	3.3	2.7	17.4	8.0	6.5	4.9	4.0	3.3	2.7	17.0	8.0	6.5	4.9	4.0	3.3	2.7

Date	IO† Class							PO Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	17%	21%	25%	30%	0%	9%	12%	17%	21%	25%	30%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2003 .....	99	90	87	82	78	74	69	99	90	87	82	78	74	69
February 2004 .....	98	81	76	67	61	55	48	97	80	75	67	61	55	48
February 2005 .....	96	72	66	55	47	41	33	95	72	65	55	47	40	33
February 2006 .....	95	65	57	45	37	30	23	94	64	56	44	36	30	22
February 2007 .....	93	58	49	37	29	22	16	92	57	48	36	28	22	15
February 2008 .....	91	52	42	30	22	16	11	90	51	42	29	22	16	11
February 2009 .....	89	46	36	24	17	12	7	87	45	36	24	17	12	7
February 2010 .....	87	41	31	20	13	9	5	85	40	31	19	13	9	5
February 2011 .....	85	36	27	16	10	6	3	83	35	26	15	10	6	3
February 2012 .....	82	32	23	13	8	5	2	80	31	22	12	8	4	2
February 2013 .....	80	28	20	10	6	3	2	77	27	19	10	6	3	2
February 2014 .....	77	25	17	8	5	2	1	74	24	16	8	4	2	1
February 2015 .....	74	22	14	7	3	2	1	71	21	13	6	3	2	1
February 2016 .....	70	19	12	5	3	1	*	67	18	11	5	2	1	*
February 2017 .....	66	16	10	4	2	1	*	63	15	9	4	2	1	*
February 2018 .....	62	14	8	3	1	1	*	59	13	8	3	1	1	*
February 2019 .....	58	12	7	2	1	*	*	55	11	6	2	1	*	*
February 2020 .....	53	10	5	2	1	*	*	50	9	5	2	1	*	*
February 2021 .....	48	8	4	1	1	*	*	45	7	4	1	1	*	*
February 2022 .....	42	6	3	1	*	*	*	40	6	3	1	*	*	*
February 2023 .....	36	5	2	1	*	*	*	34	5	2	1	*	*	*
February 2024 .....	29	4	2	*	*	*	*	28	3	2	*	*	*	*
February 2025 .....	22	3	1	*	*	*	*	21	2	1	*	*	*	*
February 2026 .....	14	2	1	*	*	*	*	14	1	1	*	*	*	*
February 2027 .....	6	1	*	*	*	*	*	6	1	*	*	*	*	*
February 2028 .....	*	*	*	*	*	*	*	*	*	*	*	*	0	0
February 2029 .....	0	0	0	0	0	0	0	*	*	*	0	0	0	0
February 2030 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average														
Life (years)** .....	17.1	8.0	6.5	4.8	4.0	3.3	2.7	16.5	7.8	6.4	4.8	3.9	3.3	2.7

\* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.

\*\* Determined as specified under—"Weighted Average Lives of the Certificates" above.

† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

## **THE TRUST AGREEMENT**

We summarize below certain provisions of the Trust Agreement not discussed elsewhere in this prospectus. Certain capitalized terms that we use in these summaries are defined in the Trust Agreement. These summaries are, by definition, not complete. If there is ever a conflict between the information in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

### **Transfer of Mortgage Loans to the Trust**

The Trust Agreement will contain a mortgage loan schedule (the “Mortgage Loan Schedule”) that will identify the Mortgage Loans that are being transferred to the Trust. As Trustee, we will hold, on behalf of the Certificateholders, the original Mortgage Notes, endorsed in blank, and assignments of the mortgage instruments to us in recordable form. Usually assignments are in a form suitable for recording but they are not recorded. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the properties are not located in the same recording jurisdiction, depending on the applicable Lender’s servicing experience and its financial condition. We may change these document custody requirements at any time, as long as we determine that any such change will not have a materially adverse effect on the interests of Certificateholders.

At our option, we may choose to maintain the documents described above with one or more custodian institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. We will review the Mortgage Loan Schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need.

If a liquidation, reorganization, or similar proceeding involving our assets or the assets of a Lender were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders’ rights to the Mortgage Loans in the event of a proceeding of this type.

### **Servicing Through Lenders**

Pursuant to the Trust Agreement, we are responsible for servicing and administering the Mortgage Loans. We are permitted, in our discretion, to contract with the originator of each Mortgage Loan, or another eligible servicing institution, to perform such functions under our supervision as more fully described below (each, a “Lender”). Any servicing contract or arrangement by us with a Lender for the direct servicing of Mortgage Loans is a contract solely between us and that Lender. Therefore, Certificateholders will not be deemed to be parties to such contract and will have no claims, rights, obligations, duties, or liabilities with respect to any Lender.

Except as otherwise agreed upon by us, Lenders will be obligated to perform diligently all services and duties customary to the servicing of mortgages in accordance with the applicable Guide. We will monitor the Lender’s performance and we have the right to remove any Lender for cause at any time we consider such removal to be in the best interest of Certificateholders. The duties performed by Lenders include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

Each month, we will retain an amount based on the principal balance of each Mortgage Loan to pay various Trust expenses. We are also entitled to retain prepayment premiums, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. We will compensate Lenders in an amount up to, but never exceeding, the amount described above, less a prescribed minimum amount to be retained by us to compensate us for making our guaranty and for our servicing responsibilities (the “Guaranty Fee”).

## **Distributions on Mortgage Loans; Deposits in the Certificate Account**

We will deposit or credit to one or more accounts (collectively, the “Certificate Account”) an amount equal to the sum of the amounts collected as principal and interest on the Mortgage Loans as these amounts are received.

Any amounts deposited into the Certificate Account on a Distribution Date will be available to pay (i) interest accrued and distributable on the Certificates on that date and (ii) principal of the Certificates reflected in the class factors. We will not include any reinvestment earnings on amounts in the Certificate Account when we calculate payments to Certificateholders.

The Trust Agreement permits us, as Trustee, to maintain the Certificate Account in one of two ways:

- as a trust account with an eligible depository institution (which account may contain other funds that we hold in a trust capacity), or
- as part of our general assets (with appropriate credit entries to the grantor trust).

We are required to hold all such appropriately credited funds in our general accounts (and all funds in the Certificate Account that we have invested) for the benefit of the Certificateholders. Nevertheless, if a liquidation, reorganization or similar proceeding involving our assets were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders’ rights to those funds in the event of a proceeding of this type.

## **Reports to Certificateholders**

We will publish a class factor for each Class of Certificates on or shortly after the 23rd calendar day of each month. If you multiply the class factor for a Certificate by the original principal balance or notional balance of the Certificate, you will obtain the current principal balance or notional balance of that Certificate, after giving effect to the principal payment to be made on the following Distribution Date.

We will provide each Certificateholder with a statement of the total principal and interest paid on that Holder’s Certificates with respect to each Distribution Date. After the end of each calendar year, we will also furnish to each person who was a Certificateholder at any time during that year any information required by the Internal Revenue Service.

We, or a special agent that we engage, will make all the necessary numerical calculations.

## **Servicing Compensation and Payment of Certain Expenses by Fannie Mae**

We will be entitled to retain an amount based on the principal balance of each Mortgage Loan for Trust expenses and as compensation for our activities and obligations under the Trust Agreement. In addition, we are entitled to retain a portion of the proceeds of the liquidation of a Mortgage Loan that exceeds (i) the principal balance of that Mortgage Loan and (ii) interest owed through the end of the month in which the liquidation occurs at the related Mortgage Interest Rate. We will pay all expenses incurred in connection with our servicing activities, including, without limitation, the fees to Lenders, and we are not entitled to be reimbursed for such expenses out of the assets of the Trust.

We will retain additional servicing compensation in the form of assumption fees, late payment charges, or otherwise.

## **Collection and Other Servicing Procedures**

We are responsible for servicing the Mortgage Loans and may, as set forth above, conduct such servicing through Lenders or through other Fannie Mae approved mortgage servicers. In connection with our servicing activities, we have full power and authority to do or cause to be done any and all

things we may deem necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan.

With respect to each Mortgage Loan, the Lender makes certain warranties to Fannie Mae concerning the following matters:

- the recordation of the original Mortgage,
- the validity of the Mortgage Loan as a first lien on the related Mortgaged Property, and
- compliance by the Mortgage Loan with applicable state and federal laws.

In the event of a material breach of any warranty or a material defect in the Mortgage Loan documentation, we may withdraw the Mortgage Loan from the Trust at a price equal to its stated principal balance together with interest thereon at the Net Mortgage Rate.

Subject to the limitations discussed below, we may:

- enforce or waive enforcement of any term of any Mortgage Loan,
- enter into an agreement to modify any term of any Mortgage Loan, or
- take any action or refrain from taking any action in servicing any Mortgage Loan.

We may waive any assumption fee, or late payment charge, or may exercise or refrain from exercising any “call option rider.” If we decide to take or refrain from taking any of the actions discussed above, our decision must be consistent with the then-current policies or practices that we follow for comparable mortgage loans held in our own portfolio. In making our decisions, we may not take into account the ownership status of the related Mortgage Loan.

Each Mortgage Loan will contain a “due-on-sale” clause, which provides that the Mortgage Loan will be assumable upon the sale of the related Mortgaged Property, subject generally to the purchaser’s compliance with credit and underwriting guidelines.

### **Certain Matters Regarding Fannie Mae**

We may not resign from our duties under the Trust Agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties under the Trust Agreement. In no event, however, would any successor take over our guaranty obligations. Even if our other duties under the Trust Agreement should terminate, we would still be obligated under that guaranty. In the event that we are unable to fulfill our continuing guaranty obligations, the Trust Agreement may be modified to provide for monthly distributions to be made from then-available Mortgage Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors. See “—Rights Upon Event of Default” below.

We are not liable under the Trust Agreement to the Trust or to Certificateholders for our errors in judgment or for anything we do, or do not do, in good faith. This also applies to our directors, officers, employees and agents. Nevertheless, neither we nor they will be protected from liability if it results from willful misfeasance, bad faith or gross negligence or as a result of a willful disregard of duties.

The Trust Agreement also provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the Trust Agreement. On the other hand, we may decide to participate in legal actions if we think our participation would be in the interests of the Certificateholders. In this case, we will pay our legal expenses and costs.

If we merge or consolidate with another corporation, the successor corporation will be our successor under the Trust Agreement.



## **Repurchase of Mortgage Loans by Seller or Fannie Mae**

Under the circumstances described above under “The Mortgage Loans—General,” the Seller is required to repurchase from the Trust certain Mortgage Loans that are 90 days or more delinquent. In addition, under certain limited circumstances, the Mortgage Interest Rates on the Mortgage Loans may be reduced. In the event of any such reduction, the Seller will be obligated to pay the difference between the original Mortgage Interest Rate and the Mortgage Interest Rate as modified. If the Seller defaults in this obligation, Fannie Mae will have the option of repurchasing from the Trust the related Mortgage Loan. Any such repurchase of a Mortgage Loan from the Trust by the Seller or Fannie Mae will occur at a price equal to its outstanding Stated Principal Balance plus one month’s interest at the applicable Net Mortgage Rate.

## **Events of Default**

Any of the following will be considered an “Event of Default” under the Trust Agreement:

- if we fail to pay Certificateholders any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of the Certificates have given us written notice;
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after Certificateholders owning at least 25% of the Certificates have given us written notice; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

## **Rights Upon Event of Default**

If one of the Events of Default under the Trust Agreement has occurred and continues uncorrected, Certificateholders who own at least 25% of the Certificates have the right to terminate, in writing, all of our obligations under the Trust Agreement. These obligations include our duties as trustee as well as in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders also may appoint, in writing, a successor to assume all of our terminated obligations. This successor will take legal title to the Mortgage Loans and other assets of the Trust.

## **Voting Rights**

Certain actions specified in the Trust Agreement that may be taken by holders of Certificates evidencing a specified percentage of all undivided interests in the Trust may be taken by holders of Certificates entitled in the aggregate to such percentage of voting rights. The percentage of the voting rights allocated among holders of the Notional Class will be 1.5%; the percentage of the voting rights allocated among holders of all other Classes in the aggregate will be 98.5%. The voting rights allocated to each Class of Certificates will be allocated among all holders of each such Class in proportion to the outstanding Class Balance of such Certificates.

## **Amendment**

We may amend the Trust Agreement, without notifying the Certificateholders or obtaining their consent, for any of the following purposes:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement as Trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement; or
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected.



If Certificateholders who own at least 66% of the Certificates give their consent, we may amend the Trust Agreement to eliminate, change or add to its terms 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 previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that we must pay on any Certificate. Similarly, unless all affected Holders of any residual interest give their consent, no amendment may adversely affect their rights.

## **Termination**

The Trust Agreement will terminate when the last Mortgage Loan remaining in the Trust has been paid off or liquidated, and the proceeds of that loan have been paid to Certificateholders. The Trust Agreement also will terminate if the Servicer exercises its option to repurchase all remaining Mortgage Loans in the Trust. The purchase price for such optional repurchase will equal the outstanding stated principal balance of each Mortgage Loan (including one month's interest at the Net Mortgage Rate). If the Servicer chooses not to exercise its option to repurchase the Mortgage Loans, we may do so.

Neither the Servicer nor we may exercise our option to repurchase unless the aggregate principal balance of the remaining Mortgage Loans is less than 5% of the aggregate principal balance of all the Mortgage Loans as of the Issue Date. In addition, we do not intend to exercise such option if (i) we have knowledge that any related Certificate has been pledged to secure an issue of cash flow obligations or is included in assets underlying an issue of cash flow obligations and (ii) the exercise of such option would take place prior to the earliest date upon which the issuer of such cash flow obligations can exercise an option to redeem such obligations or purchase such Certificates without premium.

If either the Servicer or we exercise the option to repurchase, we will have to retire all the Certificates. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. We will notify each affected Certificateholder in writing of the termination of the Trust Agreement, and will make the final payment to each person entitled to it.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

The Certificates and payments on the Certificates generally are subject to taxation. Therefore, you should consider the tax consequences of holding a Certificate before you acquire one. The following discussion describes certain U.S. federal income tax consequences to beneficial owners of Certificates. The discussion is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for various reasons, including the following:

- This discussion is based on federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.
- This discussion addresses only Certificates acquired at original issuance and held as “capital assets” (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold Certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisors regarding the federal income tax consequences of holding and disposing of Certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

### **Taxation of Beneficial Owners of Certificates**

Our special tax counsel, Dewey Ballantine LLP, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a trust under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”) and not as an association taxable as a corporation. The Mortgage Loans will be the assets of the Trust.

A beneficial owner of an interest in a Certificate will be treated as owning, pursuant to section 1286 of the Code, “stripped bonds” to the extent of its share of principal payments and “stripped coupons” to the extent of its share of interest payments on the Mortgage Loans. Fannie Mae intends to treat each Certificate as a single debt instrument representing rights to future cashflows from the Mortgage Loans for purposes of information reporting. You should consult your own tax advisor as to the proper treatment of a Certificate in this regard.

Under section 1286 of the Code, a beneficial owner of a Certificate must treat the Certificate as a debt instrument originally issued on the date the owner acquires it and as having OID equal to the excess, if any, of its “stated redemption price at maturity” over the price paid by the owner to acquire it. The stated redemption price at maturity of a Certificate generally is equal to the sum of all distributions to be made on that Certificate. For information reporting purposes, we intend to treat all amounts to be distributed on a Certificate as included in the stated redemption price at maturity and, as a result, each Certificate will be treated as if issued with OID.

The beneficial owner of a Certificate must include in its ordinary income for federal income tax purposes, generally in advance of receipt of the cash attributable to that income, the sum of the “daily portions” of OID on its Certificate for each day during its taxable year on which it held the Certificate. The daily portions of OID are determined as follows:

- first, the portion of OID that accrued during each “accrual period” is calculated;
- then, the OID accruing during an accrual period is allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the “OID Regulations”) provide that a holder of a debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. We intend to report OID based on accrual periods of one month. Each of these accrual periods will begin on a Distribution Date and end on the day before the next Distribution Date.

Although the matter is not entirely clear, a beneficial owner of a Certificate should determine the amount of OID accruing during any accrual period with respect to that Certificate using the method described in section 1272(a)(6) of the Code, except as discussed below. Under section 1272(a)(6), the portion of OID treated as accruing for any accrual period equals the *excess*, if any, of

- the sum of (A) the present values of all the distributions remaining to be made on the Certificate, if any, as of the end of the accrual period; and (B) the distributions made on the Certificate during the accrual period of amounts included in the stated redemption price at maturity;

*over*

- the sum of the present values of all the distributions remaining to be made on the Certificate as of the beginning of the accrual period.

The present values of the remaining distributions are calculated based on the following:

- an assumption that the Mortgage Loans prepay at a specified rate (the “Prepayment Assumption”),
- the yield to maturity of the Certificate, giving effect to the Prepayment Assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- in the case of a Mortgage Loan calling for a variable rate of interest, an assumption that the value of the index upon which the variable rate is based remains the same as its value on the settlement date over the entire life of the Mortgage Loan.

A beneficial owner determines its yield to maturity based on its purchase price. For information reporting purposes, we will use the original yield to maturity of each class of Certificates, calculated based on the original Prepayment Assumption. You should consult your own tax advisor regarding the proper method for accruing OID on a Certificate.

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury Regulations. To date, no such regulations have been promulgated. For information reporting purposes, we will assume a Prepayment Assumption equal to 17% CPR. We make no representation, however, that the Mortgage Loans held by the Trust will prepay at that rate or any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase a Certificate.

*Expenses of the Trust.* Each beneficial owner of a Certificate will be required to include in income its allocable share of the expenses paid by the Trust. Each beneficial owner of a Certificate can deduct its allocable share of such expenses as provided in section 162 or section 212 of the Code, consistent with its method of accounting. Fannie Mae intends to allocate expenses to beneficial owners in each monthly period in proportion to the respective amounts of income (including any OID) accrued for each Class of Certificates. A beneficial owner’s ability to deduct its share of these expenses is limited under section 67 of the code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate directly or through an investment in a “pass-through entity” (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, 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, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner’s other miscellaneous itemized deductions, exceed 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 certain 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.

## **Special Tax Attributes**

Although the Certificates will represent beneficial ownership of Mortgage Loans, we cannot determine with certainty that a Certificate will constitute:

- a “real estate asset” within the meaning of section 856(c)(5)(B) of the Code,
- a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code or a “permitted investment” within the meaning of section 860G(a)(5) of the Code, or
- an asset described in section 7701(a)(19)(C)(v) of the Code.

In addition, distributions of interest may not constitute income described in section 856(c)(3)(B) of the Code with respect to a real estate investment trust. As a result, the Certificates may not be a suitable investment for real estate investment trusts or REMICs.

### **Modifications of Mortgage Loans**

Mortgage Loans that are in default (or Mortgage Loans for which a default is reasonably foreseeable) may be modified. If such modification is a “significant modification” under section 1001 of the Code, the Trust will be deemed to have exchanged the old unmodified Mortgage Loan for the new modified Mortgage Loan. Gain or loss may be recognized by beneficial owners upon such exchange. Information will be made available to assist Holders in determining their share of any gain or loss due to a significant modification of a Mortgage Loan.

### **Information Reporting and Backup Withholding**

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder that received a distribution during that year a statement setting forth such information as is required by the Code or Treasury Regulations and such other information as we deem necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which such Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the recipient’s federal income tax. The IRS may impose certain penalties on a recipient of payments required to supply information who does not do so in the proper manner.

### **Foreign Investors**

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

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income, or
- a trust if a court within the United States can exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust.

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

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

You should be aware that the IRS might take the position that this exemption does not apply to a beneficial owner that also owns 10 percent or more of the voting stock of Fannie Mae, or to a beneficial owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

## LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the 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. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

## LEGAL OPINION

If you purchase Certificates, we will send you, upon request, an opinion of our General Counsel (or one of our Deputy General Counsels) as to the validity of the Certificates and the Trust Agreement.

## ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), 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 certain 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 as “Plans.” Any person who is a fiduciary of a Plan is also subject to the requirements imposed by ERISA and the Code. Before a Plan invests in Certificates, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a prohibited transaction under ERISA or the Code for which no exemption is available.

The U.S. Department of Labor issued a final 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 cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates by Plans will not cause the underlying mortgage loans or the

assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

### **PLAN OF DISTRIBUTION**

We will acquire the Mortgage Loans from the Seller in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Dealer, which has been retained by the Seller, proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

### **LEGAL MATTERS**

Fannie Mae will be represented by Sidley Austin Brown & Wood LLP and, with respect to federal tax matters, by Dewey Ballantine LLP. McKee Nelson LLP will provide legal representation for the Dealer.



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**Exhibit A**

**Certain Assumed Characteristics of the Underlying Mortgage Loans  
(As of February 1, 2002)**

<u>Issue Date Unpaid Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Remaining Term to Maturity (in Months) ("WARM")</u>	<u>Weighted Average Loan Age (in Months) ("WALA")</u>	<u>Weighted Average Original Term (in Months)</u>
\$ 96,970,606.18	6.3671012674%	6.9498335302%	309	44	353
295,496,537.33	6.8819226288	7.4595288266	308	48	356
1,036,909.03	6.9900000000	7.6250000000	327	27	354
339,060,566.23	7.4187184212	7.9965248237	314	43	357
504,905,946.36	8.2504859524	8.8270420520	304	53	357

For any Distribution Date, the "Weighted Average Mortgage Rate" is the weighted average of the Mortgage Interest Rates of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. For any Distribution Date, the "Weighted Average Net Mortgage Rate" is the weighted average of the Net Mortgage Rates of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. The "Weighted Average Remaining Term to Maturity" is the weighted average remaining amortization term of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. The "Weighted Average Loan Age" is the weighted average loan age of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. The "Weighted Average Original Term" is the weighted average original amortization term of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date.

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No one is authorized to give information or to make representations in connection with this offering other than those contained in this Prospectus and the Information Statement. You must not rely on any unauthorized information or representation. This Prospectus and the Information Statement 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 Information Statement at any time, no one implies that the information contained in these documents is correct after their dates.

The Securities and Exchange Commission has not approved or disapproved the Certificates or determined if this Prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

**\$1,237,470,564**  
**(Approximate)**



**FannieMae®**

Guaranteed Grantor Trust  
Pass-Through Certificates  
Fannie Mae Grantor Trust 2002-T4

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## PROSPECTUS

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**LEHMAN BROTHERS**

January 31, 2002

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