

\$652,437,440 (Approximate)



## Guaranteed Grantor Trust Pass-Through Certificates Fannie Mae Grantor Trust 2002-T6

**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 or available for payment on your certificates 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 required payments of monthly interest and principal are paid to investors on time, subject to the limitations described in this prospectus under the heading “General—Fannie Mae Guaranty.” In addition, we guarantee that:

- any principal losses allocated to the underlying SASCO security will be paid as principal of the A1 Class, and
- in the case of each class of certificates that has a principal balance, any outstanding principal balance of that class is paid on its final distribution date.

### The Trust and Its Assets

The trust assets will be divided into three groups.

- Group 1 will consist of one class of securities issued by Structured Asset Securities Corporation (“SASCO”), an affiliate of Lehman Brothers Inc., which represents an indirect ownership interest in a group of conforming balance mortgage loans originated in California and having the characteristics described in this prospectus.
- Group 2 will consist of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs and having the characteristics described in this prospectus.
- Group 3 will consist of first lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the FHA or partially guaranteed by the VA and having the characteristics described in this prospectus.

Class	Group	Original Class Balance(1)	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Assumed Maturity Date(3)	Final Distribution Date
A1	1	\$114,299,621	PT	3.31%	PT	31392C YE8	—	February 2032
A2	2	439,754,436	CPT/PT	7.50	FIX	31392C YF5	October 2031	October 2041
A3	2	36,127,952	PT	9.50	FIX	31392C YG3	October 2031	October 2041
IO	2	328,777,835(4)	NTL	(5)	WAC/IO/CPT	31392C YK4	October 2031	October 2041
PO	2	1,615,824	PT	(6)	PO	31392C YJ7	October 2031	October 2041
A4	3	60,639,607	PT	(7)	WAC	31392C YH1	March 2031	March 2041

(1) Approximate. 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 Group 2 and Group 3 Classes on the related Assumed Maturity Date. Fannie Mae will guarantee payment in full of the principal balances of the certificates no later than the distribution date in October 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 an annual rate equal to approximately 0.37693%. 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.

(7) The A4 Class will bear interest during the initial interest accrual period at an annual rate equal to approximately 6.78140%. During each subsequent interest accrual period, the A4 Class will bear interest as described in this prospectus.

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

# LEHMAN BROTHERS

March 14, 2002

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>Available Information</b> .....	3	Yield, Prepayment and Weighted Average	
<b>Reference Sheet</b> .....	4	Life of the A1 Class .....	27
<b>Risk Factors</b> .....	7	Structuring Assumptions Relating to the	
<b>General</b> .....	10	Group 2 and Group 3 Classes .....	27
<i>Structure</i> .....	10	Yield Tables Relating to the Group 2 Classes	28
<i>Characteristics of Certificates</i> .....	11	<i>General</i> .....	28
<i>Fannie Mae Guaranty</i> .....	11	<i>The IO Class</i> .....	28
<i>Distribution Date</i> .....	12	<i>The PO Class</i> .....	29
<i>Record Date</i> .....	12	Weighted Average Lives of the Group 2 and	
<i>Class Factors</i> .....	12	Group 3 Classes .....	29
<i>Authorized Denominations</i> .....	12	Maturity Considerations and Final	
<i>Voting the Underlying SASCO Security</i> .....	12	Distribution Date Relating to the Group 2	
<i>Termination of the SASCO Trust</i> .....	12	and Group 3 Classes .....	30
<i>Fannie Mae's Option to Repurchase the</i>		Decrement Tables Relating to the Group 2	
<i>A1 Class</i> .....	12	and Group 3 Classes .....	30
<i>Optional Repurchase of the Group 2 and</i>		<b>The Trust Agreement</b> .....	32
<i>Group 3 Loans</i> .....	12	Transfer of the Assets to the Trust .....	32
<b>The Underlying SASCO Security</b>		Servicing the FHA/VA Loans Through	
<b>(Group 1)</b> .....	13	Lenders .....	32
<b>The FHA/VA Loans</b> .....	13	Distributions on the Trust Assets; Deposits	
General .....	13	in the Certificate Account .....	33
Group 2 Loans .....	14	Reports to Certificateholders .....	33
Group 3 Loans .....	16	Servicing Compensation and Payment of	
Fannie Mae Mortgage Purchase Program .....	20	Certain Expenses by Fannie Mae Relating	
<i>General</i> .....	20	to the FHA/VA Loans .....	33
<i>Eligible Lenders</i> .....	20	Collection and Other Servicing Procedures	
<i>Eligible Mortgage Loans</i> .....	20	Relating to the FHA/VA Loans .....	34
<i>Additional Considerations</i> .....	21	Certain Matters Regarding Fannie Mae .....	34
<b>Description of the Certificates</b> .....	21	Events of Default .....	35
Book-Entry Procedures .....	21	Rights upon Event of Default .....	35
<i>General</i> .....	21	Voting Rights .....	35
<i>Method of Payment</i> .....	21	Amendment .....	36
Interest Payments on the Certificates .....	21	Termination .....	36
<i>Group 1 Class</i> .....	21	<b>Certain Federal Income Tax</b>	
<i>Group 2 and Group 3 Classes</i> .....	22	<b>Consequences</b> .....	37
<i>Interest Calculation</i> .....	22	Taxation of Beneficial Owners of Mortgage-	
<i>Interest Accrual Period</i> .....	22	Backed Certificates .....	37
<i>Notional Class</i> .....	22	<i>General</i> .....	37
<i>A4 Class</i> .....	22	<i>Group 1 Certificates</i> .....	37
<i>Excess Prepayment Interest Shortfalls</i> .....	22	<i>Group 2 Certificates</i> .....	37
<i>Categories of Classes and Components—</i>		<i>Group 3 Certificates</i> .....	39
<i>Interest</i> .....	23	<i>Sales and Other Dispositions of Certificates</i>	40
Principal Payments on the Certificates .....	23	<i>Expenses of the Trust</i> .....	41
<i>General</i> .....	23	Special Tax Attributes .....	41
<i>Components</i> .....	23	Modifications of Group 2 and Group 3	
<i>Group 1 Principal Distribution Amount</i> .....	23	Mortgage Loans .....	41
<i>Group 2 Principal Distribution Amount</i> .....	23	Information Reporting and Backup	
<i>Group 3 Principal Distribution Amount</i> .....	24	Withholding .....	42
<i>Categories of Classes and Components—</i>		Foreign Investors .....	42
<i>Principal</i> .....	24	<b>Legal Investment Considerations</b> .....	42
Certain Definitions Relating to Payments on		<b>Legal Opinion</b> .....	43
the Group 2 and Group 3 Classes .....	24	<b>ERISA Considerations</b> .....	43
Class Definitions and Abbreviations .....	26	<b>Plan of Distribution</b> .....	43
		<b>Legal Matters</b> .....	44
		<b>Exhibit A</b> .....	A-1

## AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood this prospectus and the following documents (the “Disclosure Documents”):

- if you are purchasing a certificate of the Group 1 Class, the Prospectus Supplement dated March 4, 2002 relating to the underlying SASCO security (the “SASCO Supplement”) and the Prospectus dated February 25, 2002 relating to various series of securities including the underlying SASCO security (together with the SASCO Supplement, the “SASCO Prospectus”), which is attached to, and forms a part of, this prospectus; and
- our current Information Statement dated March 30, 2001 and its supplements (the “Information Statement”).

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

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Area 2H-3S  
Washington, D.C. 20016  
(telephone 1-800-237-8627 or 202-752-6547).

This prospectus, the Information Statement and the class factors for the certificates are available on our website located at <http://www.fanniemae.com>.

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

Lehman Brothers Inc.  
c/o ADP Financial Services  
Prospectus Department  
1155 Long Island Avenue  
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 additional disclosure documents referred to on page 3 of this prospectus.**

### **The Certificates**

- The certificates will represent beneficial ownership interests in Fannie Mae Grantor Trust 2002-T6.
- The trust assets will be divided into three groups.
- Group 1 will consist of a security issued by Structured Asset Securities Corporation, or SASCO, an affiliate of Lehman Brothers Inc. The underlying SASCO security initially will represent an ownership interest in a group of fixed-rate Small Business Administration disaster assistance loans secured by first or junior liens on one- to four-family residential properties located in California, all as more fully described in the attached SASCO Supplement.
- Group 2 will consist of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs.
- Group 3 will consist of first lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the FHA or partially guaranteed by the VA.

### **Characteristics of the Loans Backing the Underlying SASCO Security**

For a description of the loans backing the underlying SASCO security, see “Description of the Loan Pools—General” and “—Pool 1 Assistance Loans” in the SASCO Supplement.

### **Certain Characteristics of the Group 2 and Group 3 Loans**

Each of the Group 2 and Group 3 loans was originated in accordance with the underwriting guidelines of the FHA or VA and included in a Ginnie Mae pool. Generally, each Group 2 and Group 3 loan was subsequently repurchased from a Ginnie Mae pool after a delinquency on the loan was not cured for at least 90 days. The Group 2 and Group 3 loans are now reperforming as and to the extent described in the section of this prospectus entitled “The FHA/VA Loans.”

The tables appearing in Exhibit A set forth certain summary information regarding the assumed characteristics of the Group 2 and Group 3 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 principal distributions in the same month). We will publish the class factors for the certificates on or shortly before each distribution date.

### **Settlement Date**

We expect to issue the certificates on March 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 April 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

### *Group 1 Class*

We will pay monthly interest to holders of the A1 Class in an amount equal to the interest paid in that month on the underlying SASCO security less an amount retained by us to cover trust expenses and our guaranty fee.

### *Group 2 and Group 3 Classes*

We will pay monthly interest to holders of the Group 2 and Group 3 Classes in amounts equal to the interest accrued on their principal balances (or notional principal balance) at the interest rates specified on the cover or described in this prospectus.

## Notional Class

The IO Class is a notional class and will bear interest as described in this prospectus on its notional principal balance. The IO Class consists of two payment components, the IO-1 Component and the IO-2 Component. The notional principal balance of the IO-1 Component will be equal to 100% of the aggregate stated principal balance of the Category 2b Loans immediately prior to the related distribution date. The notional principal balance of the IO-2 Component will be equal to 100% of the aggregate stated principal balance of the Category 3 Loans immediately prior to the related distribution date. See “Description of the Certificates—Interest Payments on the Certificates—*Group 2 and Group 3 Classes—Notional Class*” and “—Yield Tables Relating to the Group 2 Classes—*The IO Class*” in this prospectus.

## Principal Only Class

The PO Class is a principal only class and will not bear interest. See “Description of the Certificates—Principal Payments on the Certificates” and “—Yield Tables Relating to the Group 2 Classes—*The PO Class*” in this prospectus.

## Components

The A2 and IO Classes consist of payment components. Each component will have the original principal balance or notional principal balance, principal type, interest rate and interest type set forth below.

<u>Component</u>	<u>Original Principal Balance</u> <u>or</u> <u>Notional Principal Balance</u>	<u>Principal Type</u>	<u>Interest Rate</u>	<u>Interest Type</u>
A2-1	\$186,858,774	PT	7.50000%	FIX
A2-2	\$252,895,662	PT	7.50000%	FIX
IO-1	\$ 39,754,221	NTL	0.15960%*	WAC
IO-2	\$289,023,614	NTL	0.40683%*	WAC

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

The A2-1 Component will be entitled to receive a portion of the payments of principal and interest only with respect to the Category 2a Loans and the Category 2b Loans. The A2-2 Component will be entitled to receive payments of principal and interest only with respect to the Category 3 Loans.

## Payments of Principal

### *Group 1 Principal Distribution Amount*

On each distribution date, we will pay as principal of the A1 Class the sum of principal, if any, paid in that month on the underlying SASCO security and the amount of realized losses, if any, allocated to the underlying SASCO security since the preceding distribution date.

### *Group 2 Principal Distribution Amount*

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

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 A2-1 Component to zero.

On each distribution date, we will pay the Category 3 Principal Distribution Amount as principal of the A2-2 Component and the A3 Class, pro rata, to zero.

For a description of 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 Group 2 and Group 3 Classes” in this prospectus.

### *Group 3 Principal Distribution Amount*

On each distribution date, we will pay the Group 3 Principal Distribution Amount as principal of the A4 Class to zero.

## Guaranty Payments

We guarantee interest and principal on the certificates will be paid as provided above, subject to the limitations described in this prospectus under the heading “General—*Fannie Mae Guaranty*.” In addition, we guarantee the payment of any principal balance that remains outstanding on the distribution date in February 2032 in the case of the A1 Class and on the distribution date in October 2041 in the case of the Group 2 and Group 3 Classes.

## Weighted Average Life of the Group 1 Class

See “Yield, Prepayment and Weighted Life” in the SASCO Supplement.

## Weighted Average Lives of the Group 2 and Group 3 Classes (years) \*

<u>Group 2 Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>21%</u>	<u>25%</u>	<u>30%</u>
A2 .....	17.5	8.1	6.6	4.9	4.0	3.3	2.7
A3 .....	17.7	8.1	6.6	4.9	4.0	3.3	2.7
PO .....	17.0	8.0	6.5	4.8	4.0	3.3	2.7
IO .....	17.8	8.1	6.6	4.9	4.0	3.3	2.7

  

<u>Group 3 Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>21%</u>	<u>25%</u>	<u>30%</u>
A4 .....	14.7	7.4	6.1	4.6	3.8	3.2	2.7

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Group 2 and Group 3 Classes” 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.
- If you are considering an investment in the A1 Class, you should thoroughly understand the terms of the underlying SASCO security.

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

*A variety of factors can affect your yield.* Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the SASCO loans, the Group 2 and the Group 3 loans;
- if and when the SASCO loans, the Group 2 loans and the Group 3 loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the SASCO loans, the Group 2 loans and the Group 3 loans are repurchased;
- the actual characteristics of the SASCO loans, the Group 2 loans and the Group 3 loans;
- in the case of the IO Class, fluctuations in the weighted average of the net mortgage rates of the Category 2b and Category 3 loans; and
- in the case of the A4 Class, fluctuations in the weighted average of the net mortgage rates of the Group 3 loans.

For a description of the SASCO loans, see “Description of the Loan Pools—General” and “—Pool 1 Assistance Loans” in the SASCO Supplement. In addition, if you are considering an investment in the A1 Class, you should carefully consider the risk factors appearing in the SASCO Prospectus. For a description of the Group 2 and Group 3 loans, see “The FHA/VA Loans—Group 2 Loans” and “—Group 3 Loans,” respectively, in this prospectus.

Yields may be lower than expected due to unexpected rate of principal payment. The ac-

tual yield on your certificates probably will be lower than you expect:

- if you buy your certificates (including the IO Class) at a premium and principal payments on the related loans are faster than you expect, or
- if you buy your certificates (including the PO Class) at a discount and principal payments on the related 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 and any other certificates purchased at a premium, if a disproportionately high rate of prepayments occurs on the related loans with relatively higher interest rates, the yield on those certificates will decrease and may be lower than you expect.

Even if the SASCO loans, the Group 2 loans and the Group 3 loans are prepaid at rates that on average are consistent with your expectations, variations in the prepayment rates 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 prepayments 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.

We used certain assumptions concerning the Group 2 loans and the Group 3 loans in preparing certain tabular information in this prospectus. If the actual characteristics of the Group 2 loans and the Group 3 loans differ even slightly from those assumptions, the weighted average lives and yields of the Group 2 and Group 3 Classes, respectively, 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.**

*Shortfalls in interest collections on the SASCO loans will reduce the yield on the A1 Class.* As described in the SASCO Supple-

ment under the heading “Description of the Certificates—Distributions of Interest,” certain circumstances can result in the reduction in the amount of interest collected on the SASCO loans and payable on the underlying SASCO security. Our guaranty will **not** cover any resulting payment deficiency on the A1 Class.

*Issuance of debentures to satisfy HUD obligations could reduce yields on the Group 2 and Group 3 Classes.* HUD may elect to issue and deliver debentures in satisfaction of its insurance obligations relating to the Group 2 and Group 3 loans. Any such issuance of HUD debentures could result in payment deficiencies on the Group 2 and Group 3 Classes, respectively. However, our guaranty will **not** cover any such payment deficiencies.

*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 February 2032, in the case of the A1 Class, or in October 2041, in the case of the Group 2 and Group 3 Classes. If you assume that the actual final payment will occur on the distribution date occurring in February 2032, in the case of the A1 Class, or in October 2041, in the case of the Group 2 and Group 3 Classes, your yield may be lower than you expect.

*Delayed payments reduce yields and market value of the Group 2 and Group 3 Classes.* Because the Group 2 and Group 3 Classes do not receive interest immediately following each interest accrual period, they 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 depends on numerous factors and cannot be predicted.* The rate of principal payments on the A1 Class generally will depend on the rate of principal payments on the SASCO loans, and the rate of principal payments on the Group 2 and Group 3 Classes generally will depend on the rate of principal payments on the Group 2 and Group 3 loans, respectively. Principal payments on the SASCO loans, the Group 2 loans and the Group 3 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 and, in the case of the Group 2 and Group 3 loans, as a result of FHA insurance payments and VA guarantee payments. In addition, borrowers generally may prepay 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.

The SASCO loans, the Group 2 loans and the Group 3 loans all generally provide that the lender can require repayment in full if the borrower sells the property that secures the related loan. However, the Group 2 and Group 3 loans generally may be assumed by creditworthy purchasers of mortgaged properties from the original borrowers. Accordingly, except in the case of Group 2 and Group 3 loans that are assumed by purchasers, 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 of the Group 2 and Group 3 loans to Fannie Mae made representations and warranties with respect to those loans and may have to repurchase them if they fail to conform to the representations and warranties made by the seller. Similarly, Lehman Capital, an affiliate of the dealer, and Lehman Brothers Bank, FSB made representations and warranties with respect to the SASCO loans and may have to repurchase them if they fail to conform to those representations and warranties. Any such repurchases will increase the rate of prepayment of the related classes.

The servicer of the Group 2 and Group 3 loans 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 loan (but not beyond October 2041). To the extent that the servicer recasts the amortization schedule and/or extends the term of a Group 2 or Group 3 loan, the weighted average lives of the Group 2 Classes or

the Group 3 Class, respectively, could be extended.

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, and
- general economic conditions.

Because so many factors affect the prepayment rate of any group of mortgage loans, we cannot estimate the prepayment experience of the loans backing the underlying SASCO security or the Group 2 or Group 3 loans.

*Exercise of any optional clean-up calls will have the same effect on the related classes as borrower prepayments of the related loans.* The servicer of the SASCO loans will have the right to terminate the SASCO trust by purchasing all of the loans in that trust on or after the first distribution date when the aggregate principal balance of all loans that are included in the SASCO trust is reduced to less than 5% of their aggregate principal balance on January 31, 2002.

Subject to certain conditions, Aurora Loan Services, Inc. has the option to purchase from the trust all of the Group 2 and Group 3 loans on or after the first distribution date when the aggregate principal balance of the Group 2 and Group 3 loans has been reduced to 5% or less of its original level on the issue date of the certificates. If Aurora does not exercise this option, we may do so.

Repurchases of the SASCO loans, the Group 2 loans or the Group 3 loans will have the same effect on the related certificates as borrower prepayments of those loans.

*Fannie Mae has the option to call the A1 Class.* On or after the first distribution date when the principal balance of the A1 Class is reduced to 5% or less of its balance on the issue

date, we have the option to repurchase the A1 Class at par.

*Repurchases of delinquent Group 2 and Group 3 loans will have the same effect as borrower prepayments.* Under certain circumstances, Lehman Capital is required to repurchase delinquent Group 2 and Group 3 loans. Its repurchase of any Group 2 or Group 3 loans will have the same effect on the Group 2 Classes or the Group 3 Class, respectively, as borrower prepayments of the related loans.

### **Reinvestment Risk**

*You may have to reinvest principal payments at a rate of return lower than that on your certificates.* 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**

*It may be difficult to resell your certificates and any resale may occur on adverse terms.* We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover,

you may not be able to sell small or large amounts of 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**

*Any failure of Fannie Mae to perform its guaranty obligations will adversely affect certificateholders.* If we were unable to perform our guaranty obligations, holders of the A1 Class would only receive payments on the underlying SASCO security and holders of the Group 2 and Group 3 Classes would receive only borrower payments and other recoveries on the Group 2 and Group 3 loans, respectively. If that happened, delinquencies and defaults on the related 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 March 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

- Structured Asset Securities Corporation Pass-Through Certificates, Series 2002-AL1, Class A1 (the “Underlying SASCO Security”),
- the Group 2 Loans and
- the Group 3 Loans.

The Certificates will evidence the entire beneficial ownership interest in the payments of principal and interest on the Underlying SASCO Security, the Group 2 Loans and the Group 3 Loans.

The Underlying SASCO Security was issued pursuant to a trust agreement, dated as of February 1, 2002 between SASCO and the trustee identified in the SASCO Supplement, which established the related trust fund (the “SASCO Trust”).

The Group 2 and Group 3 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 of the Group 1 Class:

- on each Distribution Date, the amount of interest paid on that date on the Underlying SASCO Security less an amount retained by us to cover Trust expenses and our guaranty fee,
- on each Distribution Date, the Group 1 Principal Distribution Amount, and
- the remaining principal balance of the A1 Class no later than the applicable Final Distribution Date shown on the cover of this prospectus, whether or not we have received sufficient payments on the Underlying SASCO Security.

Our guaranty relates only to the Certificates offered under this prospectus. We provide no direct guaranty of payments on the Underlying SASCO Security.

We guarantee that we will pay to the Holders of Certificates of the Group 2 and Group 3 Classes:

- on each Distribution Date, interest accrued on the Group 2 and Group 3 Classes during the related Interest Accrual Period at the annual rates specified or described in this prospectus,
- on each Distribution Date, principal of the Group 2 and Group 3 Classes in the respective amounts required to be paid as described in this prospectus under the headings “Description of the Certificates—Principal Payments on the Certificates—Group 2 Principal Distribution Amount” and “—Group 3 Principal Distribution Amount,” respectively, and

- any remaining principal balances of the Group 2 and Group 3 Classes no later than the applicable Final Distribution Date shown on the cover of this prospectus, whether or not we have received sufficient payments on the related loans.

However, our guaranty will **not** cover any excess prepayment interest shortfall amounts as described in this prospectus under the heading “Description of the Certificates—Interest Payments on the Certificates—*Group 2 and Group 3 Classes—Excess Prepayment Interest Shortfalls*.” Moreover, our guaranty will **not** cover any deficiency in payments on the Group 2 and Group 3 Classes due to the issuance by HUD of a debenture in satisfaction of its insurance obligation with respect to any Group 2 or Group 3 Loans, respectively.

If we were unable to perform the guaranty obligations described above, Holders of the A1 Class would receive only the amounts paid on the Underlying SASCO Security and Holders of the Group 2 and Group 3 Classes would receive only the amounts paid or advanced and other recoveries on the Group 2 and Group 3 Loans, respectively. If that happened, delinquencies and defaults on the related 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 Date.* 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 April 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 before each Distribution Date, 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 current 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.

*Voting the Underlying SASCO Security.* The holder of the Underlying SASCO Security may have to vote on issues arising under the documents governing the SASCO Trust. If so, the Trustee will vote the Underlying SASCO Security as instructed by the Holders of the A1 Class. The Trustee must receive instructions from Holders of the related Certificates having principal balances totaling at least 51% of the aggregate principal balance of the A1 Class. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

*Termination of the SASCO Trust.* As described in the SASCO Supplement, the related servicer may terminate the SASCO Trust when the aggregate principal balance of all loans in all loan groups included in the SASCO Trust (including the SASCO Loans) has been reduced to less than 5% of their aggregate balance as of the Issue Date. If the related servicer terminates the SASCO Trust in this manner, all of the SASCO Loans would be purchased, having the effect on the Underlying SASCO Security of a prepayment in full and, in turn, a payment in full of the principal balance of the A1 Class.

*Fannie Mae’s Option to Repurchase the A1 Class.* Fannie Mae has the option to repurchase the A1 Class at par on and after the first Distribution Date as of which the principal balance of the A1 Class is reduced to 5% or less of its principal balance on the Issue Date.

*Optional Repurchase of the Group 2 and Group 3 Loans.* Either the Servicer or Fannie Mae may repurchase the Group 2 and Group 3 Loans from the Trust under the circumstances described in this prospectus under “The Trust Agreement—Termination.”

## **THE UNDERLYING SASCO SECURITY (GROUP 1)**

The Underlying SASCO Security represents a senior beneficial ownership interest in a pool of conforming balance, fixed-rate U.S. Small Business Administration disaster assistance loans secured by first or junior liens on one-to four-family residential properties located in California, all as more fully described in the attached SASCO Supplement (the “SASCO Loans”).

The Underlying SASCO Security represents an entitlement to monthly interest and principal due on the SASCO Loans, subject to the payment priorities specified in the SASCO Supplement. Interest and principal on the Underlying SASCO Security, to the extent actually paid, will be passed through to the Holders of the A1 Class less an amount retained by us to cover Trust expenses and our guaranty fee. The amount retained will be calculated monthly based upon the outstanding principal balance of the Underlying SASCO Security. Interest on the Underlying SASCO Security will accrue on its outstanding principal balance as described in the SASCO Supplement. However, the amount of interest payable on the Underlying SASCO Security may be reduced as a result of certain shortfalls in interest as described under the heading “Description of the Certificates—Distributions of Interest” in the SASCO Supplement. Principal on the Underlying SASCO Security will be paid based on the specific cash flow sequence and subject to the payment priority described in the SASCO Supplement. As a result, the rate of principal payments on the Underlying SASCO Security may vary considerably from time to time.

See the SASCO Supplement for detailed information about the Underlying SASCO Security.

## **THE FHA/VA LOANS**

### **General**

We expect that the Trust will include approximately 6,324 mortgage loans (collectively, the “FHA/VA Loans”) having an aggregate principal balance of approximately \$538,137,821 as of the Issue Date. This aggregate amount may vary by plus or minus 5%. Fannie Mae, as purchaser, Lehman Capital, A Division of Lehman Brothers Holdings Inc., as seller (the “Seller”), and Aurora Loan Services, Inc. (“Aurora”), as servicer (the “Servicer”) will be parties to a sale and servicing agreement dated as of the Issue Date (the “Sale and Servicing Agreement”).

The FHA/VA Loans consist of two groups (“Loan Group 2” and “Loan Group 3” and each a “Loan Group”) of first lien, one- to four-family, fully amortizing loans. All of the FHA/VA Loans in Loan Group 2 (the “Group 2 Loans”) bear fixed rates of interest, and all of the FHA/VA Loans in Loan Group 3 (the “Group 3 Loans”) bear adjustable rates of interest. All of the Group 2 and Group 3 Loans are FHA-insured or partially guaranteed by the VA. Each FHA/VA 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 an FHA/VA Loan as the “Mortgaged Property.”

While the FHA/VA Loans generally have terms not more than 30 years, as of the Issue Date approximately 0.01% of the FHA/VA Loans (based on aggregate principal balance) provided for a stated maturity date more than 30 years, but generally not more than 40 years, from their dates of origination.

Each FHA/VA 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 FHA/VA 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 Group 2 and Group 3 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 Group 2 or Group 3 Loan. The information in the tables does not give effect to prepayments received on the FHA/VA Loans on or after the Issue Date.

Each of the FHA/VA 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 of the FHA/VA Loans were pooled with Ginnie Mae and then purchased from the related Ginnie Mae pool when the FHA/VA Loan had a delinquency that was not cured for at least 90 days.

The table below shows the contractual delinquency rates of the FHA/VA Loans in each Loan Group as of the Issue Date. An FHA/VA Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured.

<u>Contractually Delinquent</u>	<u>Loan Group 2</u>	<u>Loan Group 3</u>
Less than 30 days .....	69.14%	43.81%
30–59 days .....	19.12%	28.93%
60–89 days .....	6.14%	13.85%
90–120 days .....	5.59%	13.41%

As of the Issue Date, no FHA/VA Loan was more than 120 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase an FHA/VA Loan from the Trust based upon the Issue Date contractual delinquency of that loan. However, if at any time the aggregate principal balance of FHA/VA Loans that are 90 days or more delinquent (“90+ Delinquent Loans”) exceeds 49.00% of the aggregate principal balance of the FHA/VA Loans, the Seller is required to repurchase from the Trust 90+ Delinquent Loans of a sufficient amount to reduce the aggregate principal balance of 90+ Delinquent Loans to 49.00% of the aggregate principal balance of the FHA/VA Loans.

## Group 2 Loans

The Group 2 Loans are fixed-rate mortgage loans. The following tables set forth certain information, as of the Issue Date, as to the Group 2 Loans. References to “Aggregate Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the Group 2 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 Loan Principal Balances (\$)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 2</u>
0.01– 50,000.00 .....	1,031	\$ 37,335,571.38	7.82%
50,000.01–100,000.00 .....	2,880	209,594,610.00	43.89
100,000.01–150,000.00 .....	1,321	159,560,935.25	33.42
150,000.01–200,000.00 .....	323	54,472,748.09	11.41
200,000.01–250,000.00 .....	59	12,631,610.91	2.65
250,000.01–300,000.00 .....	13	3,502,701.82	0.73
400,000.01–450,000.00 .....	1	400,035.33	0.08
Total .....	<u>5,628</u>	<u>\$477,498,212.78</u>	<u>100.00%</u>

(1) As of the Issue Date, the average principal balance for the Group 2 Loans is expected to be approximately \$84,843.



### Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 2</u>
7.501- 8.000 .....	1,718	\$148,720,376.83	31.15%
8.001- 8.500 .....	2,414	207,782,594.77	43.51
8.501- 9.000 .....	1,028	89,207,113.53	18.68
9.001- 9.500 .....	328	25,622,054.89	5.37
9.501-10.000 .....	74	3,672,509.81	0.77
10.001-10.500 .....	34	1,547,771.90	0.32
10.501-11.000 .....	11	364,861.09	0.08
11.001-11.500 .....	8	205,893.13	0.04
11.501-12.000 .....	6	166,781.62	0.03
12.001-12.500 .....	6	175,045.51	0.04
13.001-13.500 .....	1	33,209.70	0.01
Total .....	<u>5,628</u>	<u>\$477,498,212.78</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average Mortgage Interest Rate of the Group 2 Loans is expected to be approximately 8.467%.

### Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 2</u>
121-180 .....	84	\$ 3,727,291.77	0.78%
181-240 .....	58	4,237,827.94	0.89
241-300 .....	23	1,059,156.87	0.22
301-360 .....	5,462	468,420,884.61	98.10
Equal to or greater than 361 .....	1	53,051.59	0.01
Total .....	<u>5,628</u>	<u>\$477,498,212.78</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 2 Loans is expected to be approximately 357 months.

### Remaining Terms to Stated Maturity (1)

<u>Remaining Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 2</u>
13- 24 .....	2	\$ 12,369.13	0.00%
25- 36 .....	4	26,708.68	0.01
37- 48 .....	5	31,056.87	0.01
49- 60 .....	27	307,872.58	0.06
61- 72 .....	35	520,104.76	0.11
73- 84 .....	21	403,110.44	0.08
85- 96 .....	25	676,192.82	0.14
97-108 .....	8	229,322.53	0.05
109-120 .....	8	350,543.98	0.07
121-132 .....	21	974,707.40	0.20
133-144 .....	10	389,015.77	0.08
145-156 .....	15	890,199.88	0.19
157-168 .....	23	1,277,665.23	0.27
169-180 .....	88	4,578,626.21	0.96
181-192 .....	72	3,528,493.13	0.74
193-204 .....	35	1,590,993.76	0.33
205-216 .....	46	2,335,702.69	0.49
217-228 .....	75	4,778,833.23	1.00
229-240 .....	118	6,789,208.18	1.42
241-252 .....	210	14,113,145.44	2.96
253-264 .....	169	11,873,417.09	2.49
265-276 .....	193	13,118,513.92	2.75
277-288 .....	339	24,108,004.84	5.05
289-300 .....	398	28,863,989.28	6.04
301-312 .....	388	30,433,624.21	6.37
313-324 .....	214	21,156,447.72	4.43
325-336 .....	1,348	131,085,327.69	27.45
337-348 .....	1,602	160,099,524.28	33.53
349-360 .....	129	12,955,491.04	2.71
<b>Total .....</b>	<b><u>5,628</u></b>	<b><u>\$477,498,212.78</u></b>	<b><u>100.00%</u></b>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 2 Loans is expected to be approximately 314 months.

### Geographic Distribution of Mortgaged Properties

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 2</u>
California .....	591	\$ 64,083,936.46	13.42%
Texas .....	813	55,371,673.86	11.60
New York .....	375	45,877,601.71	9.61
Florida .....	617	44,964,420.24	9.42
Georgia .....	286	24,079,090.66	5.04
Other .....	<u>2,946</u>	<u>243,121,489.85</u>	<u>50.92</u>
<b>Total .....</b>	<b><u>5,628</u></b>	<b><u>\$477,498,212.78</u></b>	<b><u>100.00%</u></b>

### Group 3 Loans

Each Group 3 Loan has a Mortgage Interest Rate which is subject to adjustment on the dates (each such date, an “Interest Adjustment Date”) specified in the related Mortgage Note to equal the

sum of the index, which is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (“1 Year CMT”) plus a fixed percentage amount specified in the Mortgage Note (the “Interest Rate Margin”), subject to the limitations described in this paragraph. Generally, the index value used will be the value most recently published 30 days prior to the applicable Interest Adjustment Date. The mortgage interest rate on each Group 3 Loan will not increase or decrease by more than 1% (the “Mortgage Interest Rate Periodic Cap”) on any Interest Adjustment Date. The mortgage interest rate on each Group 3 Loan will not exceed a specified maximum mortgage interest rate over the life of that Mortgage Loan (the “Mortgage Interest Rate Life Cap”) or be less than a specified minimum mortgage interest rate over the life of that Mortgage Loan (the “Mortgage Interest Rate Life Floor”).

The following tables set forth certain information, as of the Issue Date, as to the Group 3 Loans. References to “Aggregate Principal Balance Outstanding” represent the aggregate of the Stated Principal Balances of the related 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 Mortgage 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 Loan Group 3</u>
0.01– 50,000.00 .....	60	\$ 2,530,526.68	4.17%
50,000.01–100,000.00 .....	420	31,259,914.50	51.55
100,000.01–150,000.00 .....	192	22,729,008.31	37.48
150,000.01–200,000.00 .....	22	3,684,675.81	6.08
200,000.01–250,000.00 .....	2	435,482.50	0.72
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

(1) As of the Issue Date, the average principal balance for the Group 3 Loans is expected to be approximately \$87,126.

#### Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
5.001–5.500 .....	2	\$ 189,262.86	0.31%
5.501–6.000 .....	6	648,100.11	1.07
6.001–6.500 .....	55	5,892,152.19	9.72
6.501–7.000 .....	71	6,446,472.66	10.63
7.001–7.500 .....	231	19,559,875.42	32.26
7.501–8.000 .....	321	27,152,104.67	44.78
8.001–8.500 .....	10	751,639.89	1.24
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average Mortgage Interest Rate of the Group 3 Loans is expected to be approximately 7.389%.

#### Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
351–360 .....	696	\$60,639,607.80	100.00%
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 3 Loans is expected to be approximately 360 months.

### Remaining Terms to Stated Maturity (1)

<u>Remaining Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
157-168 .....	1	\$ 31,387.35	0.05%
181-192 .....	2	98,558.08	0.16
193-204 .....	4	205,787.27	0.34
205-216 .....	1	45,279.78	0.07
217-228 .....	5	297,945.35	0.49
229-240 .....	11	782,232.31	1.29
241-252 .....	28	2,114,162.78	3.49
253-264 .....	62	5,211,903.70	8.59
265-276 .....	100	8,340,280.10	13.75
277-288 .....	88	7,281,824.44	12.01
289-300 .....	112	9,317,810.53	15.37
301-312 .....	168	14,969,059.86	24.69
313-324 .....	24	2,192,502.50	3.62
325-336 .....	57	6,045,953.61	9.97
337-348 .....	33	3,704,920.14	6.11
<b>Total .....</b>	<b>696</b>	<b>\$60,639,607.80</b>	<b>100.00%</b>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 3 Loans is expected to be approximately 293 months.

### Mortgage Interest Rate Life Caps (1)

<u>Mortgage Interest Rate Life Caps (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
9.501-10.000 .....	26	\$ 2,557,622.58	4.22%
10.001-10.500 .....	80	7,046,119.62	11.62
10.501-11.000 .....	123	10,747,987.45	17.72
11.001-11.500 .....	181	15,741,550.19	25.96
11.501-12.000 .....	131	11,802,902.44	19.46
12.001-12.500 .....	112	9,760,050.47	16.10
12.501-13.000 .....	28	2,152,992.89	3.55
13.001-13.500 .....	10	540,936.12	0.89
13.501-14.000 .....	4	240,078.92	0.40
14.001-14.500 .....	1	49,367.12	0.08
<b>Total .....</b>	<b>696</b>	<b>\$60,639,607.80</b>	<b>100.00%</b>

(1) As of the Issue Date, the weighted average Mortgage Interest Rate Life Cap of the Group 3 Loans is expected to be approximately 11.525%.

### Mortgage Interest Rate Life Floors (1)

<u>Mortgage Interest Rate Life Floors (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
0.000 .....	3	\$ 388,216.44	0.64%
0.001-0.500 .....	19	1,636,801.04	2.70
0.501-1.000 .....	26	2,262,185.76	3.73
1.001-1.500 .....	32	2,972,552.25	4.90
1.501-2.000 .....	113	10,159,569.11	16.75
2.001-2.500 .....	96	8,216,164.91	13.55
2.501-3.000 .....	371	32,548,595.24	53.68
3.001-3.500 .....	16	1,000,935.14	1.65
3.501-4.000 .....	4	240,078.92	0.40
4.001-4.500 .....	1	49,367.12	0.08
4.501-5.000 .....	5	399,674.93	0.66
5.501-6.000 .....	3	274,584.10	0.45
6.001-6.500 .....	4	299,053.19	0.49
6.501-7.000 .....	3	191,829.65	0.32
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average Mortgage Interest Rate Life Floor of the Group 3 Loans is expected to be approximately 2.461%.

### Next Interest Adjustment Dates

<u>Next Interest Adjustment Dates</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
April 2002 .....	155	\$13,843,785.32	22.83%
July 2002 .....	153	13,802,756.05	22.76
October 2002 .....	190	15,899,314.61	26.22
January 2003 .....	198	17,093,751.82	28.19
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

### Mortgage Interest Rate Margins (1)

<u>Mortgage Interest Rate Margins (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
1.75001-2.00000 .....	173	\$14,019,807.05	23.12%
2.00001-2.25000 .....	9	698,425.73	1.15
2.25001-2.50000 .....	56	4,135,363.78	6.82
2.50001-2.75000 .....	407	37,583,126.18	61.98
2.75001-3.00000 .....	51	4,202,885.06	6.93
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average Mortgage Interest Rate Margin of the Group 3 Loans is expected to be approximately 2.559%.

### Mortgage Interest Rate Periodic Cap

<u>Mortgage Interest Rate Periodic Cap (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
1 .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>
Total .....	<u>696</u>	<u>\$60,639,607.80</u>	<u>100.00%</u>

## Geographic Distribution of Mortgaged Properties

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Loan Group 3</u>
California .....	92	\$ 9,689,314.79	15.98%
Maryland .....	54	5,320,645.24	8.77
Illinois .....	53	5,220,290.76	8.61
Indiana .....	41	2,916,249.88	4.81
Florida .....	42	2,909,294.75	4.80
Other .....	414	34,583,812.38	57.03
Total .....	<u>696</u>	<u>\$60,639,607.80</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 FHA/VA Loans included in the Trust do not match the criteria described below. For more specific details regarding the FHA/VA Loans included in the Trust see “The FHA/VA 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 or the National Credit Union Administration;
- 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. 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 assignment of the occupancy rights to the borrower’s dwelling unit in the cooperative. Each mortgage

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



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, 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 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 DTC and the 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 the Certificates that they represent.

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

#### *Group 1 Class*

We will pay interest on the A1 Class on each Distribution Date in an aggregate amount equal to the interest paid on the Underlying SASCO Security on that date less an amount retained by us to cover Trust expenses and our guaranty fee.

See “Description of the Certificates—Distributions of Interest” in the SASCO Supplement.

### *Group 2 and Group 3 Classes*

*Interest Calculation.* We will pay interest on the Group 2 and Group 3 Classes 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 April 2002.

*Interest Accrual Period.* Interest to be paid on each Distribution Date will accrue on the interest-bearing Group 2 and Group 3 Classes (the “Delay Classes”) during the calendar month preceding the month in which that Distribution Date occurs (the “Interest Accrual Period”).

We 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 two payment components, the IO-1 Component and the IO-2 Component. The IO-1 Component and IO-2 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 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* 7.50%. The notional principal balance of the IO-1 Component will equal 100% of the aggregate Stated Principal Balance of the Category 2b Loans.

During each Interest Accrual Period, the IO-2 Component will bear interest on its notional 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 A2-2 Component and the A3 Class (weighted on the basis of their respective principal balances). The notional principal balance of the IO-2 Component will equal 100% of the aggregate Stated Principal Balance of the Category 3 Loans. We define certain capitalized terms used in this paragraph under “—Certain Definitions Relating to Payments on the Group 2 and Group 3 Classes” below.

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

*A4 Class.* We will pay interest on the A4 Class at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Group 3 Loans (weighted on the basis of their respective Stated Principal Balances).

### *Excess Prepayment Interest Shortfalls*

When a borrower prepays all or a portion of a Group 2 or Group 3 Loan between scheduled monthly payment due dates, the borrower pays interest on the amount prepaid only to the date of prepayment. In order to mitigate the effect of any such shortfall in interest payments on the Group 2 Classes or the Group 3 Class, as applicable, on any Distribution Date, the servicing fee with respect to the Group 2 or Group 3 Loans, as applicable, otherwise payable to the Servicer for that month will, to the extent of such prepayment interest shortfall, be included in the payment of interest to the related Certificateholders on that Distribution Date as “compensating interest.” Prepayment interest shortfall amounts in excess of compensating interest on a Distribution Date for the Group 2 or Group 3 Loans will reduce the current interest amount otherwise payable to the Group 2 Classes or the Group 3 Class, as applicable, pro rata, based on the proportion that the amount of current interest otherwise payable on that Distribution Date to each Class bears to the aggregate amount of current

interest otherwise payable on that Distribution Date to the Group 2 Classes or the Group 3 Class, as applicable.

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

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

\* 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.

*Components.* For purposes of calculating the payments it receives, the A2 Class consists of two payment components having the designations and original principal balances specified in this prospectus under “Reference Sheet—Components.” The payment characteristics of the A2 Class will reflect a combination of the payment characteristics of the related components. Components are not separately transferable from the related Class of Certificates.

### *Group 1 Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal on the A1 Class in an amount equal to the sum of

- the amount of principal payable on that date on the Underlying SASCO Security, and
- the amount of Realized Losses (as defined in the SASCO Supplement) allocated to the Underlying SASCO Security since the immediately preceding Distribution Date.

### *Group 2 Principal Distribution Amount*

We define certain capitalized terms used in the four following paragraphs under “—Certain Definitions Relating to Payments on the Group 2 and Group 3 Classes” below.

On the Distribution Date in each month, we will pay principal on the Group 2 Classes in an aggregate amount (the “Group 2 Principal Distribution Amount”) equal to the sum of 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 2a PO Principal Distribution Amount as principal of the PO Class, 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 A2-1 Component, 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 A2-2 Component and the A3 Class, pro rata (or 87.4999999135% and 12.5000000865%, respectively), until their principal balances are reduced to zero.

We will include principal prepayments on the Group 2 Loans (including net liquidation proceeds) in amounts paid as principal of the A2-1 and A2-2 Components and the A3 and PO Classes 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 Group 2 Loans on the next Distribution Date.

#### *Group 3 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 3 Principal Distribution Amount as principal of the A4 Class, until its principal balance is reduced to zero. See “—Certain Definitions Relating to Payments on the Group 2 and Group 3 Classes” below.

*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>
<b>Group 1 Class</b>	
Pass-Through .....	A1
<b>Group 2 Classes and Components</b>	
Pass-Through .....	A2-1, A2-2, A3 and PO
Notional .....	IO-1 and IO-2
Component .....	A2 and IO
<b>Group 3 Class</b>	
Pass-Through .....	A4

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

#### **Certain Definitions Relating to Payments on the Group 2 and Group 3 Classes**

*Category 2a Loans.* Group 2 Loans having Net Mortgage Rates lower than 7.50%.

*Category 2a Non-PO 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 Non-PO Percentage.* For any Category 2a Loan, the related Net Mortgage Rate *divided by* 7.50%, expressed as a percentage.

*Category 2a PO Percentage.* For any Category 2a Loan, (7.50% *minus* the related Net Mortgage Rate) *divided by* 7.50%, 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.* Group 2 Loans having Net Mortgage Rates greater than or equal to 7.50% and lower than 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.* Group 2 Loans having Net Mortgage Rates greater than or equal to 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.

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

- all monthly payments of principal due on each Group 3 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 3 Loan that Fannie Mae, the Servicer or the Seller repurchases during the Due Period related to that Distribution Date, *plus*
- for each Group 3 Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that Group 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 Group 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 FHA/VA 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 FHA/VA 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 Asset Schedule with respect to each FHA/VA Loan.

*Stated Principal Balance.* The unpaid principal balance of an FHA/VA Loan (or the scheduled unpaid principal balance thereof, in the case of FHA/VA 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 the Group 2 Classes or the Group 3 Class, as applicable, 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>		
CPT	Component	Consists of two or more segments or “components.” The components of a Component class may have different interest payment characteristics but together constitute a single class.
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 related 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.
PT	Pass-Through	Is designed to receive interest payments in direct relation to actual payments made on the related mortgage loans.



<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.
<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 the related mortgage loans.

### **Yield, Prepayment and Weighted Average Life of the A1 Class**

See the information set forth under the heading “Yield, Prepayment and Weighted Average Life” in the SASCO Supplement with respect to the Underlying SASCO Security.

### **Structuring Assumptions Relating to the Group 2 and Group 3 Classes**

*Pricing Assumptions.* Except where otherwise noted, the information relating to the Group 2 and Group 3 Classes in the tables in this prospectus has been prepared on the basis of (i) the assumed characteristics of the Group 2 and Group 3 Loans set forth in this prospectus on Exhibit A and (ii) the following assumptions (collectively, the “Pricing Assumptions”):

- payments on all Group 2 and Group 3 Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Group 2 and Group 3 Loans prepay at the CPR levels specified in the related table;
- 1 year CMT is equal to 2.17%;
- neither the Servicer nor Fannie Mae exercises its option to purchase the Group 2 and Group 3 Loans;
- the settlement date for the sale of the Certificates occurs on March 28, 2002; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in April 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 an annual 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 Group 2 and Group 3 Loans. It is highly unlikely that the Group 2 or Group 3 Loans will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.*

## Yield Tables Relating to the Group 2 Classes

*General.* The tables below illustrate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Group 2 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 Group 2 Classes, would cause the discounted present values of such assumed streams of cash flows to equal the assumed aggregate purchase prices of those 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 Group 2 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 applicable Group 2 Classes are likely to differ from those assumed. This would be the case even if all Group 2 Loans prepay at the indicated constant percentages of CPR. Moreover, it is unlikely that

- all the Group 2 Loans will prepay at a constant percentage of CPR until maturity, or
- all the Group 2 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 Category 2b and Category 3 Loans. The FHA/VA 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 25% CPR. If the actual prepayment rate of the 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 FHA/VA 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 .....	26.3%	19.4%	15.8%	9.7%	4.7%	(0.4)%	(7.0)%

*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 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%	4.0%	5.0%	6.9%	8.5%	10.2%	12.5%

**Weighted Average Lives of the Group 2 and Group 3 Classes**

The “weighted average life” of a Certificate of the Group 2 or Group 3 Class refers to the average length of time, weighted by principal, that will elapse from the time we issue that 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 that 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 the Certificate referred to in clause (a).

The weighted average lives of the Group 2 and Group 3 Classes will be influenced by, among other factors, the rate at which principal payments are made on the Group 2 and Group 3 Loans, respectively. 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 Group 2 and Group 3 Classes. Accordingly, we cannot give any assurance as to the weighted average lives of the Group 2 and Group 3 Classes.

#### **Maturity Considerations and Final Distribution Date for the Group 2 and Group 3 Classes**

We expect the maturities of substantially all of the FHA/VA Loans to be between 15 and 30 years. Each FHA/VA Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of that loan by its maturity date.

The “Final Distribution Date” for each Group 2 and Group 3 Class of Certificates is the date by which the principal balance of that Class is required to be fully paid and will occur in October 2041. The Final Distribution Date of the Group 2 and Group 3 Classes will be determined so that distributions on the Group 2 and Group 3 Loans will be sufficient to retire the Group 2 Classes and the Group 3 Class, respectively, on or before the related Final Distribution Date without the necessity of any call on our guaranty.

#### **Decrement Tables Relating to the Group 2 and Group 3 Classes**

The following tables indicate the percentages of original principal balances of the Group 2 and Group 3 Classes that would be outstanding after each of the dates shown at various constant percentages of CPR and the corresponding weighted average lives of those Classes. The tables have been prepared on the basis of the Pricing Assumptions.

It is *unlikely* that all the Group 2 or Group 3 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 Group 2 and Group 3 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 Group 2 and Group 3 Loans are identical to the weighted average maturities specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	A2 Class							A3 Class							PO Class						
	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
March 2003 .....	99	90	87	82	78	74	69	99	90	87	82	78	74	69	99	90	87	82	78	74	69
March 2004 .....	98	81	76	67	61	55	48	98	81	76	67	61	55	48	97	81	75	67	61	55	48
March 2005 .....	96	73	66	55	48	41	33	97	73	66	55	48	41	33	96	72	65	55	47	41	33
March 2006 .....	95	65	57	45	37	30	23	95	65	57	45	37	30	23	94	65	57	45	37	30	23
March 2007 .....	93	58	49	37	29	22	16	94	59	49	37	29	22	16	93	58	49	37	29	22	16
March 2008 .....	92	52	43	30	22	16	11	92	52	43	30	22	16	11	91	52	42	30	22	16	11
March 2009 .....	90	46	37	24	17	12	7	90	47	37	25	17	12	7	89	46	36	24	17	12	7
March 2010 .....	88	41	32	20	13	9	5	89	42	32	20	13	9	5	87	41	31	20	13	9	5
March 2011 .....	86	37	27	16	10	6	3	86	37	27	16	10	6	3	85	36	27	16	10	6	3
March 2012 .....	84	33	23	13	8	5	2	84	33	23	13	8	5	2	82	32	23	13	8	5	2
March 2013 .....	81	29	20	10	6	3	2	82	29	20	11	6	3	2	79	28	19	10	6	3	2
March 2014 .....	78	25	17	8	5	2	1	79	25	17	8	5	3	1	76	25	16	8	5	2	1
March 2015 .....	75	22	14	7	4	2	1	76	22	14	7	4	2	1	73	21	14	6	3	2	1
March 2016 .....	72	19	12	5	3	1	*	73	19	12	5	3	1	*	70	19	12	5	3	1	*
March 2017 .....	68	17	10	4	2	1	*	69	17	10	4	2	1	*	66	16	10	4	2	1	*
March 2018 .....	65	14	8	3	1	1	*	65	14	8	3	2	1	*	62	14	8	3	1	1	*
March 2019 .....	60	12	7	3	1	*	*	61	12	7	3	1	*	*	58	12	7	2	1	*	*
March 2020 .....	56	10	6	2	1	*	*	57	10	6	2	1	*	*	53	10	5	2	1	*	*
March 2021 .....	51	8	4	1	1	*	*	52	9	5	2	1	*	*	48	8	4	1	1	*	*
March 2022 .....	45	7	4	1	*	*	*	46	7	4	1	*	*	*	42	6	3	1	*	*	*
March 2023 .....	39	5	3	1	*	*	*	40	6	3	1	*	*	*	36	5	2	1	*	*	*
March 2024 .....	33	4	2	1	*	*	*	34	4	2	1	*	*	*	30	4	2	*	*	*	*
March 2025 .....	26	3	1	*	*	*	*	27	3	1	*	*	*	*	23	3	1	*	*	*	*
March 2026 .....	18	2	1	*	*	*	*	19	2	1	*	*	*	*	15	2	1	*	*	*	*
March 2027 .....	10	1	*	*	*	*	*	11	1	*	*	*	*	*	7	1	*	*	*	*	*
March 2028 .....	2	*	*	*	*	*	*	2	*	*	*	*	*	*	0	0	0	0	0	0	0
March 2029 .....	*	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 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)** .....	17.5	8.1	6.6	4.9	4.0	3.3	2.7	17.7	8.1	6.6	4.9	4.0	3.3	2.7	17.0	8.0	6.5	4.8	4.0	3.3	2.7

Date	IO† Class							A4 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
March 2003 .....	99	90	87	82	78	74	69	98	90	87	82	78	74	69
March 2004 .....	98	81	76	67	61	55	48	96	80	75	66	60	54	47
March 2005 .....	97	73	66	55	48	41	33	94	71	64	54	46	40	32
March 2006 .....	95	65	57	45	37	30	23	91	63	55	43	36	29	22
March 2007 .....	94	59	50	37	29	22	16	89	55	47	35	27	21	15
March 2008 .....	92	52	43	30	22	16	11	86	49	40	28	21	15	10
March 2009 .....	90	47	37	25	17	12	7	83	43	34	22	16	11	7
March 2010 .....	89	42	32	20	13	9	5	80	37	29	18	12	8	5
March 2011 .....	87	37	27	16	10	6	3	76	33	24	14	9	6	3
March 2012 .....	84	33	23	13	8	5	2	73	28	20	11	7	4	2
March 2013 .....	82	29	20	11	6	3	2	69	25	17	9	5	3	1
March 2014 .....	79	26	17	8	5	3	1	66	21	14	7	4	2	1
March 2015 .....	76	22	14	7	4	2	1	62	18	12	5	3	1	1
March 2016 .....	73	19	12	5	3	1	*	57	15	10	4	2	1	*
March 2017 .....	70	17	10	4	2	1	*	53	13	8	3	2	1	*
March 2018 .....	66	15	9	3	2	1	*	49	11	6	2	1	*	*
March 2019 .....	62	12	7	3	1	*	*	44	9	5	2	1	*	*
March 2020 .....	57	10	6	2	1	*	*	39	7	4	1	1	*	*
March 2021 .....	52	9	5	2	1	*	*	33	6	3	1	*	*	*
March 2022 .....	47	7	4	1	*	*	*	28	4	2	1	*	*	*
March 2023 .....	41	6	3	1	*	*	*	22	3	2	*	*	*	*
March 2024 .....	35	4	2	1	*	*	*	16	2	1	*	*	*	*
March 2025 .....	28	3	1	*	*	*	*	10	1	1	*	*	*	*
March 2026 .....	20	2	1	*	*	*	*	3	*	*	*	*	*	*
March 2027 .....	12	1	*	*	*	*	*	0	0	0	0	0	0	0
March 2028 .....	3	*	*	*	*	*	*	0	0	0	0	0	0	0
March 2029 .....	*	*	*	*	*	*	*	0	0	0	0	0	0	0
March 2030 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	17.8	8.1	6.6	4.9	4.0	3.3	2.7	14.7	7.4	6.1	4.6	3.8	3.2	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 the Assets to the Trust**

The Trust Agreement will contain an asset schedule that will identify the FHA/VA Loans that are being transferred to the Trust (the “Asset Schedule”). 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 FHA/VA Loans, even if the Mortgaged 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 Asset 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 related Certificateholders’ rights to the FHA/VA Loans in the event of a proceeding of this type.

In addition, the Asset Schedule will identify the Underlying SASCO Security that is being transferred to the Trust.

### **Servicing the FHA/VA Loans Through Lenders**

Pursuant to the Trust Agreement, we are responsible for servicing and administering the FHA/VA Loans. We are permitted, in our discretion, to contract with the originator of each FHA/VA 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 FHA/VA 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 each 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 FHA/VA 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 providing our guaranty and for our servicing responsibilities (the “Guaranty Fee”).

### **Distributions on the Trust Assets; 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 FHA/VA Loans, together with all distributions on the Underlying SASCO Security, in each case as these amounts are received.

Any amounts deposited into the Certificate Account on a Distribution Date with respect to the Underlying SASCO Security will be available to pay (i) interest distributable on the A1 Class on that date and (ii) principal of the A1 Class as reflected in the related class factor. Any amounts deposited into the Certificate Account on a Distribution Date with respect to the Group 2 Loans will be available to pay (i) interest accrued and distributable on that date on the Group 2 Classes and Components entitled to distributions of interest and (ii) principal of the Group 2 Classes and Components entitled to distributions of principal as reflected in the related class factor. Any amounts deposited into the Certificate Account on a Distribution Date with respect to the Group 3 Loans will be available to pay (i) interest accrued and distributable on that date on the Group 3 Class and (ii) principal of the Group 3 Class as reflected in the related class factor. We will not include any reinvestment earnings on amounts in the Certificate Account when we calculate payments to Certificateholders.

The Trust Agreement permits the 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 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 before each Distribution Date. 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 Relating to the FHA/VA Loans**

We will be entitled to retain an amount based on the principal balance of each FHA/VA 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 each FHA/VA Loan that exceeds (i) the principal balance of that 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 with respect to the FHA/VA Loans in the form of assumption fees, late payment charges, or otherwise.

### **Collection and Other Servicing Procedures Relating to the FHA/VA Loans**

We are responsible for servicing the FHA/VA 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 Group 2 or Group 3 Loan.

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

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

In the event of a material breach of any warranty or a material defect in the FHA/VA Loan documentation, we may withdraw that 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 FHA/VA Loan,
- enter into an agreement to modify any term of any FHA/VA Loan, or
- take any action or refrain from taking any action in servicing any FHA/VA 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 FHA/VA Loan.

Each FHA/VA Loan will contain a “due-on-sale” clause, but will provide that the FHA/VA 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

- in the case of the A1 Class, from then-available payments and other recoveries on the Underlying SASCO Security,
- in the case of the Group 2 Classes and Components, from then-available Group 2 Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors, and

- in the case of the Group 3 Class, from then-available Group 3 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.

## **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 FHA/VA Loans, the Underlying SASCO Security and any 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 those Certificates in proportion to the outstanding principal balances of their 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 with respect to the A1 Class when the Underlying SASCO Security has been paid off or liquidated and its proceeds distributed to Certificateholders. In addition, we have the option to repurchase the A1 Class at a price equal to its principal balance plus accrued and unpaid interest on that balance on and after the first Distribution Date on which the aggregate principal balance of the A1 Class is reduced to 5% or less of its aggregate principal balance on the Issue Date.

The Trust Agreement will terminate with respect to the Group 2 and Group 3 Classes when the last Group 2 or Group 3 Loan, as applicable, 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 with respect to the Group 2 and Group 3 Classes if the Servicer exercises its option to repurchase all remaining FHA/VA Loans in the Trust. The purchase price for such optional repurchase will equal the outstanding stated principal balance of each FHA/VA Loan (including one month's interest at the applicable Net Mortgage Rate). If the Servicer chooses not to exercise its option to repurchase the FHA/VA Loans, we may do so.

Neither the Servicer nor we may exercise the option to repurchase the FHA/VA Loans unless the aggregate principal balance of the remaining FHA/VA Loans is less than 5% of the aggregate principal balance of all the FHA/VA Loans as of the Issue Date. In addition, we do not intend to exercise this 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 this option would take place prior to the earliest date upon which the issuer of such cash flow obligations can exercise an option to redeem the obligations or purchase the Certificates without premium.

If either the Servicer or we exercise the option to repurchase the FHA/VA Loans, we will have to retire the Group 2 and Group 3 Classes.

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. Moreover, these changes may be effective retroactively.
- 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 Mortgage-Backed Certificates**

*General.* 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 1 of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”) and not as an association taxable as a corporation. The Underlying SASCO Security and the FHA/VA Loans (the “Mortgage Loans”) will be the assets of the Trust.

*Group 1 Certificates.* A beneficial owner of an interest in an A1 Certificate will be treated as owning an undivided beneficial ownership interest in the Underlying SASCO Security.

The SASCO Prospectus discusses tax consequences to holders of the Underlying SASCO Security. Because a beneficial owner of an A1 Certificate will be required to report its pro rata share of the income accruing with respect to the Underlying SASCO Security and will be required to treat the sale or other disposition of its A1 Certificate as the sale or other disposition of a pro rata portion of the Underlying SASCO Security, you should review the discussion there.

The SASCO Prospectus states that, taking into account certain assumptions described in the SASCO Prospectus, the Underlying SASCO Security will qualify as a “regular interest” in a “financial asset securitization investment trust” (a “FASIT”) within the meaning of the Code. Qualification as a regular interest in a FASIT requires initial and ongoing compliance with certain conditions. If the Underlying SASCO Security were to fail to qualify as a regular interest in a FASIT, the Underlying SASCO Security might not be accorded the status described in the SASCO Prospectus. You should consult your tax advisors regarding the tax consequences to a beneficial owner of a Certificate if the Underlying SASCO Security were to fail to qualify as a regular interest in a FASIT.

*Group 2 Certificates.* A beneficial owner of an interest in a Certificate related to the Group 2 Loans (a “Group 2 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 related Mortgage Loans. Fannie Mae intends to treat each



Group 2 Certificate as a single debt instrument representing rights to future cashflows from the related Mortgage Loans for purposes of information reporting. You should consult your own tax advisor as to the proper treatment of a Group 2 Certificate in this regard.

Under section 1286 of the Code, a beneficial owner of a Group 2 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 Group 2 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 Group 2 Certificate as included in the stated redemption price at maturity and, as a result, each Group 2 Certificate will be treated as if issued with OID.

The beneficial owner of a Group 2 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 Group 2 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 related 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 a particular beneficial owner of a Group 2 Certificate, it is not clear whether the Prepayment Assumption used for calculating OID would be one determined at the time the Certificate is acquired or would be the original Prepayment Assumption for the Certificate. For information reporting purposes, we will use the original yield to maturity of the Certificate, calculated based on the original Prepayment Assumption. You should consult your own tax advisor regarding the proper method for accruing OID on a Group 2 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 for the Group 2 Loans 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 Group 2 Certificate.

*Group 3 Certificates.* Interest paid on a Group 3 Certificate is taxable as ordinary interest income. A beneficial owner of a Group 3 Certificate must report this income when it accrues or is paid, consistent with the beneficial owner's method of accounting.

A beneficial owner that acquires a Group 3 Certificate for less than its principal amount generally has market discount in the amount of the difference between the principal amount and the beneficial owner's basis in that Certificate. In general, three consequences arise if a beneficial owner acquires an interest in a Group 3 Certificate with market discount. First, the beneficial owner must treat any principal payment with respect to that Certificate as ordinary income to the extent of the market discount that accrued while the beneficial owner held an interest in that Certificate. Second, the beneficial owner must treat gain on the disposition or retirement of that Certificate as ordinary income under the circumstances discussed below under “—*Sales and Other Dispositions of Certificates.*” Third, if the beneficial owner incurs or continues indebtedness to acquire that Certificate the beneficial owner may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a beneficial owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a beneficial owner makes this election, the beneficial owner must also apply the election to all debt instruments acquired by the beneficial owner on or after the beginning of the first taxable year to which the election applies. A beneficial owner may revoke the election only with the consent of the IRS.

A beneficial owner of a Group 3 Certificate must determine the amount of accrued market discount for a period using a straight-line method unless the beneficial owner elects to determine accrued market discount using a constant yield method. The IRS has authority to provide regulations for determining the accrual of market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. In addition, the legislative history to the Tax Reform Act of 1986 states that market discount on certain types of debt instruments may be treated as accruing in proportion to remaining accruals of OID, if any, or if none, in proportion to remaining distributions of interest. You should consult your own tax advisor regarding the method a beneficial owner should use to determine accrued market discount.

Notwithstanding the above rules, market discount on a Group 3 Certificate is considered to be zero if the discount is less than 0.25% of the principal balance of that Certificate multiplied by the number of complete years from the date the beneficial owner acquires that Certificate to the maturity of that Certificate (“*de minimis* market discount”). The IRS has authority to provide regulations to adjust the computation of *de minimis* market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that *de minimis* market discount should be calculated using the remaining weighted average life of that Certificate rather than its final maturity. You should consult your own tax advisor

regarding the ability to compute *de minimis* market discount based on the final maturity of a Group 3 Certificate.

If a beneficial owner acquires a Group 3 Certificate for more than its principal amount, the beneficial owner generally will have premium with respect to that Certificate in the amount of the excess. In that event, the beneficial owner may elect to treat such premium as “amortizable bond premium.” If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (“fully taxable bonds”) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner’s income by the portion of the premium allocable to the period based on the yield to maturity of that Certificate. Correspondingly, a beneficial owner must reduce its basis in that Certificate by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on a Group 3 Certificate is determined by reference to an equivalent fixed rate debt instrument constructed as of the date the beneficial owner acquires an interest in that Certificate.

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

A beneficial owner may elect to include in income its entire return on a Group 3 Certificate (*i.e.*, the excess of all remaining payments to be received on the Group 3 Certificate over the amount of the beneficial owner’s basis in that Certificate) based on the compounding of interest at a constant yield. Such an election for a Group 3 Certificate with amortizable bond premium (or market discount) will result in a deemed election to amortize premium for all the beneficial owner’s debt instruments with amortizable bond premium (or to accrue market discount currently for all the beneficial owner’s debt instruments with market discount) as discussed above.

The application of the market discount and premium provisions to a Group 3 Certificate is not clear. You should be aware that the IRS could assert that a beneficial owner of a Group 3 Certificate should (i) allocate its purchase price of that Certificate among the Group 3 Mortgage Loans in proportion to their relative fair market values at the time that Certificate was acquired and (ii) apply the market discount and premium provisions to each Group 3 Mortgage Loan in light of the amount of the purchase price allocated to such loan. Given the lack of clear guidance in this regard, you should consult your tax advisor regarding the proper application of the market discount and premium provisions to a Group 3 Certificate.

*Sales and Other Dispositions of Certificates.* Upon the sale, exchange or other disposition of a Certificate, a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner’s adjusted basis in that Certificate. The adjusted basis of a Certificate generally will equal the cost of that Certificate to the beneficial owner, increased by OID and market discount included in the beneficial owner’s gross income with respect to that Certificate, and reduced (but not below zero) by distributions on that Certificate previously received by the beneficial owner as principal or as stated redemption price at maturity and by any premium that has reduced the beneficial owner’s interest income with respect to that Certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents OID or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) recognized upon the sale, exchange or other disposition

of a Certificate will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held that Certificate for more than one year. The ability to deduct capital losses is subject to limitations.

*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 provides that certain itemized deductions otherwise allowable for a beneficial owner who is an individual may be reduced by an amount equal to 3% of the beneficial owner's adjusted gross income in excess of a statutorily defined threshold, but not more than 80% of itemized deductions otherwise allowable. 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 and the SASCO security, 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 Group 2 and Group 3 Mortgage Loans**

Group 2 and Group 3 Mortgage Loans that are in default (or Group 2 and Group 3 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 of the related Certificates 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 Group 2 or Group 3 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 the holder of the Class O Certificate in the SASCO Trust in the case of an A1 Certificate), 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 Underlying SASCO Security from Lehman Brothers Inc. (the “Dealer”) in exchange for the A1 Class pursuant to a Fannie Mae commitment. We will acquire the Group 2 and Group 3 Loans from the Seller in exchange for delivery to the Dealer of the Group 2 and Group 3 Classes, respectively, 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.



**Certain Assumed Characteristics of the Underlying Mortgage Loans**  
(as of March 1, 2002)

**Loan Group 2—Fixed Rate**

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age Lifetime Rate (in Months) ("WALA")	Weighted Average Original Term (in Months)
\$148,720,376.83	7.4185136415%	7.9999646643%	309	48	357
39,754,221.13	7.6595972806	8.2390400728	329	29	358
289,023,614.82	8.1568328932	8.7383162251	314	43	357

**Loan Group 3—ARMs (1 Year CMT)**

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term (in Months)	Weighted Average Periodic Rate Cap	Weighted Average Lifetime Rate Floor	Weighted Average Months to Rate Change	Rate Reset Frequency (in months)
\$13,843,785.32	6.8606976749%	7.4700036410%	299	61	360	2.66064%	11.283%	2.412%	1
13,802,756.05	6.5336669770	7.1424322542	300	60	360	2.59700	11.520	2.540	4
15,899,314.61	6.8851837904	7.4949047753	286	74	360	2.46148	11.740	2.489	7
17,093,751.82	6.8207160982	7.4256186315	291	69	360	2.53700	11.525	2.466	10

For any Distribution Date, the "Weighted Average Mortgage Rate" for a Loan Group is the weighted average of the Mortgage Interest Rates of the Mortgage Loans in such Loan Group during the preceding calendar month, weighted on the basis of the Stated Principal Balances of such Mortgage Loans immediately before such Distribution Date. For any Distribution Date, the "Weighted Average Net Mortgage Rate" for a Loan Group is the weighted average of the Net Mortgage Rates of the Mortgage Loans in such Loan Group during the preceding calendar month, weighted on the basis of the Stated Principal Balances of such Mortgage Loans immediately before such Distribution Date. The "Weighted Average Remaining Term to Maturity" for a Loan Group is the weighted average remaining amortization term of the Mortgage Loans in such Loan Group during the preceding calendar month weighted on the basis of the Stated Principal Balances of such Mortgage Loans immediately before such Distribution Date. The "Weighted Average Loan Age" for a Loan Group is the weighted average loan age of the Mortgage Loans in such Loan Group during the preceding calendar month weighted on the basis of the Stated Principal Balances of such Mortgage Loans immediately before such Distribution Date. The "Weighted Average Lifetime Rate Floor" for a Loan Group is the weighted average of the Mortgage Interest Rate Life Floors of the Mortgage Loans in such Loan Group during the preceding calendar month, weighted on the basis of the Stated Principal Balances of such Mortgage Loans immediately before such Distribution Date, *provided, however*, that Mortgage Loans with a Mortgage Interest Rate Life Floor equal to 0% were not included in the calculation; and for Mortgage Loans with a Mortgage Interest Rate Life Floor greater than 0% and less than the margin, the Mortgage Interest Rate Life Floor was assumed to be the margin for purposes of the calculation.

\$750,206,295 (Approximate)

**STRUCTURED ASSET SECURITIES CORPORATION**  
**Pass-Through Certificates, Series 2002-AL1**



Consider carefully the risk factors beginning on page S-7 of this prospectus supplement.

For a list of capitalized terms used in this prospectus supplement and the prospectus, see the index of principal terms beginning on page S-69 in this prospectus supplement and the index of defined terms on page 134 in the prospectus.

The certificates will represent ownership interests in the trust fund only and will not represent ownership interests in or obligations of any other entity.

This prospectus supplement may be used to offer and sell the certificates only if accompanied by the prospectus.

The trust will issue:

- **Five classes of senior certificates, including one class of interest-only certificates and one class of principal-only certificates,**
- **Six classes of subordinate certificates, and**
- **One class of ownership certificates.**

The classes of certificates offered by this prospectus supplement are listed, together with their initial class principal amounts (or class notional amounts) and interest rates, under “*Summary of Terms—The Offered Certificates*” beginning on page S-1 of this prospectus supplement. This prospectus supplement and the accompanying prospectus relate only to the offering of the certificates listed in the table on page S-2 and not to the other classes of certificates that will be issued by the trust fund as described in this prospectus supplement.

The assets of the trust fund primarily consist of three pools of loans, including mortgage loans and loans that are secured by non-real estate collateral or are unsecured. The loans, which we refer to as “assistance loans,” were made by the United States Small Business Administration to borrowers who incurred losses in a federally-recognized disaster, such as a hurricane or an earthquake. As a result, the loans may experience rates of delinquency, foreclosure and bankruptcy that differ from those experienced by loans underwritten under industry standard guidelines and under typical origination circumstances.

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

The certificates offered by this prospectus supplement will be purchased by Lehman Brothers Inc. from Structured Asset Securities Corporation, and are being offered by Lehman Brothers Inc. from time to time for sale to the public in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Lehman Brothers Inc. has the right to reject any order. The Class A1 Certificates will be purchased by Fannie Mae and deposited by Fannie Mae into Fannie Mae Grantor Trust 2002-T6. Proceeds to Structured Asset Securities Corporation from the sale of these certificates will be approximately 75.77% of their initial total principal amount, plus accrued interest, before deducting expenses.

On or about March 8, 2002, delivery of the certificates offered by this prospectus supplement will be made through the book-entry facilities of The Depository Trust Company, Clearstream Banking, société anonyme (formerly Cedelbank), and the Euroclear System.

*Underwriter:*

**LEHMAN BROTHERS**

The date of this prospectus supplement is March 4, 2002

**Important notice about information presented in this  
prospectus supplement and the accompanying prospectus:**

We provide information to you about the certificates offered by this prospectus supplement in two separate documents that progressively provide more detail: (1) the accompanying prospectus, which provides general information, some of which may not apply to your certificates and (2) this prospectus supplement, which describes the specific terms of your certificates.

If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information.

We are not offering the certificates in any state where the offer is not permitted. We do not claim that the information in this prospectus supplement and prospectus is accurate as of any date other than the dates stated on their respective covers.

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After the initial distribution of the certificates offered by this prospectus supplement, this prospectus and prospectus supplement may be used by Lehman Brothers Inc., an affiliate of the depositor, in connection with market making transactions in those certificates. Lehman Brothers Inc. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering. Certain information in this prospectus supplement will be updated from time to time for as long as Aurora Loan Services Inc. continues to be the servicer.

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Dealers will deliver a prospectus supplement and prospectus when acting as underwriters of the certificates and with respect to their unsold allotments or subscriptions. In addition, all dealers selling the certificates will be required to deliver a prospectus supplement and prospectus for ninety days following the date of this prospectus supplement.

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We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The following tables of contents provide the pages on which these captions are located.

## Tables of Contents

### Prospectus Supplement

	<u>Page</u>		<u>Page</u>
Summary of Terms .....	S-1	Prepayment Interest Shortfalls .....	S-55
Risk Factors .....	S-7	Advances .....	S-55
Description of the Certificates .....	S-13	Defaulted Loans .....	S-56
General .....	S-13	Collection of Taxes, Assessments and	
Book-Entry Registration .....	S-15	Similar Items .....	S-56
Priority of Distributions .....	S-19	Insurance Coverage .....	S-56
Distributions of Interest .....	S-21	Evidence as to Compliance .....	S-56
Distributions of Principal .....	S-23	Certain Rights Related to Foreclosure ....	S-56
Limited Cross-Collateralization .....	S-26	Certain Rights of the Class A1	
Available Distribution Amount .....	S-26	Certificateholder .....	S-57
The Ownership Certificate .....	S-27	Trust Agreement .....	S-58
Restrictions on Transfer of the Class AIO		General .....	S-58
Certificates .....	S-27	Assignment of Assistance Loans .....	S-58
Allocation of Realized Losses .....	S-27	Voting Rights .....	S-59
Maturity Date .....	S-29	Yield, Prepayment and Weighted Average	
Optional Termination of the Trust Fund ....	S-29	Life .....	S-59
The Trustee .....	S-30	General .....	S-59
Description of the Loan Pools .....	S-30	Sensitivity of Certain Classes of	
General .....	S-30	Certificates .....	S-61
Methodology Used to Calculate Loan-to-		Subordination of the Offered Subordinate	
Value Ratio .....	S-31	Certificates .....	S-62
Simple Interest Loans .....	S-32	Weighted Average Life .....	S-62
Special Assessment Loans .....	S-32	Material Federal Income Tax Considerations	S-66
Pool 1 Assistance Loans .....	S-33	General .....	S-66
Pool 2 Assistance Loans .....	S-38	Class APO and AIO Certificates .....	S-66
Pool 3 Assistance Loans .....	S-44	Legal Investment Considerations .....	S-66
Certain Legal Aspects Of Assistance Loans ....	S-51	Use of Proceeds .....	S-67
Assistance Loans Secured by Mobile		Underwriting .....	S-67
Homes .....	S-51	ERISA Considerations .....	S-67
Assistance Loans Secured by Special		Legal Matters .....	S-67
Assessments .....	S-51	Ratings .....	S-68
The SBA's Disaster Loan Program .....	S-51	Index of Principal Terms .....	S-69
Additional Information .....	S-53	Annex A Global Clearance, Settlement and	
The Servicer .....	S-53	Tax Documentation Procedures .....	S-A-1
General .....	S-53	Annex B Form of FASIT High Yield Interest	
Aurora .....	S-53	Transfer Affidavit .....	S-B-1
Servicing of the Assistance Loans .....	S-55		
General .....	S-55		
Servicing Compensation and Payment of			
Expenses .....	S-55		

## Prospectus

	<u>Page</u>		<u>Page</u>
Description of the Securities .....	2	Enforcement of Due-On-Sale Clauses .....	44
General .....	2	Certain Rights Related to Foreclosure .....	45
Distributions on the Securities .....	2	Servicing Compensation and Payment of	
Optional Termination .....	5	Expenses .....	45
Optional Purchase of Securities .....	5	Evidence as to Compliance .....	46
Other Purchases .....	5	Certain Matters Regarding the Master Servicer	46
Book-Entry Registration .....	5	Credit Support .....	48
Yield, Prepayment and Maturity Considerations. . .	10	General .....	48
Payment Delays .....	10	Subordinate Securities; Subordination Reserve	
Principal Prepayments .....	10	Fund .....	49
Timing of Reduction of Principal Amount . . . .	10	Cross-Support Features .....	49
Interest or Principal Weighted Securities .....	10	Insurance .....	50
Final Scheduled Distribution Date .....	10	Letter of Credit .....	50
Prepayments and Weighted Average Life .....	11	Financial Guaranty Insurance Policy .....	50
Other Factors Affecting Weighted Average Life	12	Reserve Funds .....	51
The Trust Funds. ....	14	Description of Mortgage and Other Insurance. . .	52
General .....	14	Mortgage Insurance on the Loans .....	52
Ginnie Mae Certificates .....	15	Hazard Insurance on the Loans .....	58
Fannie Mae Certificates .....	17	Bankruptcy Bond .....	59
Freddie Mac Certificates .....	19	Repurchase Bond .....	60
Private Mortgage-Backed Securities .....	21	The Agreements .....	61
The Mortgage loans.....	24	Issuance of Securities .....	61
The Manufactured Home Loans .....	28	Assignment of Primary Assets .....	61
Pre-Funding Arrangements .....	30	Repurchase and Substitution of Non-	
Collection Account and Distribution Account . .	30	Conforming Loans. ....	64
Other Funds or Accounts .....	31	Reports to Securityholders .....	65
Loan Underwriting Procedures and Standards . . . .	32	Investment of Funds .....	66
Underwriting Standards .....	32	Event of Default; Rights Upon Event of	
Loss Experience .....	33	Default .....	67
Representations and Warranties .....	34	The Trustee .....	69
Substitution of Primary Assets .....	35	Duties of the Trustee.....	69
Servicing of Loans .....	36	Resignation of Trustee .....	69
General .....	36	Distribution Account .....	70
Collection Procedures; Escrow Accounts .....	37	Expense Reserve Fund .....	70
Deposits to and Withdrawals from the Collection		Amendment of Agreement .....	70
Account .....	37	Voting Rights.....	71
Servicing Accounts .....	39	REMIC or FASIT Administrator .....	71
Buy-Down Loans, GPM Loans and Other		Administration Agreement .....	71
Subsidized Loans .....	39	Termination .....	71
Advances and Other Payments, and Limitations		Legal Aspects of Loans .....	73
Thereon .....	40	Mortgages .....	73
Maintenance of Insurance Policies and Other		Junior Mortgages; Rights of Senior Mortgages	73
Servicing Procedures .....	41	Cooperative Loans.....	74
Presentation of Claims; Realization Upon		Foreclosure on Mortgages.....	76
Defaulted Loans .....	43	Realizing Upon Cooperative Loan Security....	77

	<u>Page</u>		<u>Page</u>
Rights of Redemption .....	78	FASITs .....	110
Anti-Deficiency Legislation and Other		Grantor Trust Funds .....	113
Limitations on Lenders .....	79	Partnership Trust Funds & Debt Securities ....	119
Soldiers' and Sailors' Civil Relief Act of 1940	81	State Tax Considerations .....	125
Environmental Risks .....	81	ERISA Considerations .....	125
Due-on-Sale Clauses in Mortgage Loans .....	82	General .....	125
Enforceability of Prepayment and Late		Legal Investment Considerations .....	130
Payment Fees .....	82	Legal Matters .....	131
Equitable Limitations on Remedies .....	83	The Depositor .....	131
Applicability of Usury Laws .....	83	Use of Proceeds .....	131
Adjustable Interest Rate Loans. ....	84	Plan of Distribution .....	131
Manufactured Home Loans .....	84	Additional Information .....	132
Material Federal Income Tax Considerations. ....	88	Incorporation of Certain Documents by	
General .....	88	Reference .....	133
Taxable Mortgage Pools .....	89	Reports to Securityholders .....	133
REMICs .....	89	Index of Defined Terms .....	134



## Summary of Terms

- This summary highlights selected information from this prospectus supplement and does not contain all of the information that you need to consider in making your investment decision. To understand the terms of the offering of the certificates, it is necessary that you read carefully this entire prospectus supplement and the accompanying prospectus.
- While this summary contains an overview of certain calculations, cash flow priorities, and other information to aid your understanding, you should read carefully the full description of these calculations, cash flow priorities and other information in this prospectus supplement and the accompanying prospectus before making any investment decision.
- Whenever we refer in this prospectus supplement to a percentage of some or all of the assistance loans in the trust fund or in any pool, that percentage has been calculated on the basis of the total unpaid principal balance of those loans as of January 31, 2002 in the trust fund or in the pool, as the context requires, unless we specify otherwise. Whenever we refer in this “Summary of Terms” or in the “Risk Factors” section of this prospectus supplement to the total principal balance of any assistance loans, we mean the total of their unpaid principal balances.

### Parties

#### *Sellers*

Lehman Capital, A Division of Lehman Brothers Holdings Inc. and Lehman Brothers Bank, FSB will sell the assistance loans to the depositor.

#### *Depositor*

Structured Asset Securities Corporation, a Delaware special purpose corporation, will sell the assistance loans to the trustee for the benefit of the Series 2002-AL1 certificateholders.

#### *Servicer*

Initially, the servicer will be Aurora Loan Services Inc.

#### *Trustee*

Wells Fargo Bank Minnesota, National Association.

### The Offered Certificates

#### *Classes of Certificates*

Structured Asset Securities Corporation’s Pass-Through Certificates, Series 2002-AL1, consist of the classes of certificates listed in the table on the following page, together with the Class B4, Class B5, Class B6 and Class O Certificates. Only the classes of certificates listed in the table are offered by this prospectus supplement. We refer to the Class A1, Class A2, Class A3, Class AIO and Class APO Certificates as “senior” certificates, and to the Class B1, Class B2, Class B3, Class B4, Class B5 and Class B6 Certificates as “subordinate” certificates.

# Series 2002-AL1

<u>Class</u>	<u>Class Principal Amount(1)</u>	<u>Type(3)</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>
A1 .....	\$117,197,000	SEQ/CPT	3.45%	86358R XX0
A2 .....	\$155,630,000	SEQ/CPT	3.45%	86358R XY8
A3 .....	\$416,837,000	SEQ/CPT	3.45%	86358R XZ5
AIO .....	(2)	RSTP/IO/CPT	3.45%	86358R YA9
APO .....	\$ 11,064,296	RSTP/PO/CPT	0.00%	86358R YB7
B1 .....	\$ 21,168,000	SUB	3.45%	86358R YC5
B2 .....	\$ 16,177,000	SUB	3.45%	86358R YD3
B3 .....	\$ 12,133,000	SUB	3.45%	86358R YE1

- (1) These amounts are approximate, as described in this prospectus supplement.
- (2) The Class AIO Certificates will be interest-only certificates; they will not be entitled to payments of principal and will accrue interest on a notional amount, as described in this prospectus supplement.
- (3) SEQ = Sequential certificate  
RSTP/PO = Ratio strip principal-only certificate  
RSTP/IO = Ratio strip interest-only certificate  
CPT = Component certificate  
SUB = Subordinate certificate

The offered certificates will be issued in book-entry form.

See “*Description of the Certificates—General*” in this prospectus supplement for a discussion of the minimum denominations and the incremental denominations of each class of certificates.

The certificates represent ownership interests in a trust fund which consists primarily of three separate pools of assistance loans: “pool 1,” “pool 2” and “pool 3.” As is described in greater detail in this prospectus supplement, all of the assistance loans have fixed interest rates and substantially all of the assistance loans have original terms to maturity of up to 30 years.

Payments of interest and principal on the Class A1(A) Component and the Class A1(B) Component of the Class A1 Certificates, the A2(1) Component of the Class A2 Certificates and the A3(1) Component of the Class A3 Certificates will be based on collections on the pool 1 assistance loans; payments on the A2(2) Component of the Class A2 Certificates and the A3(2) Component of the Class A3 Certificates will be based on collections on the Pool 2 assistance loans and payments on the Class A3(3) Component of the Class A3 Certificates will be based on collections on the pool 3 assistance loans.

The Class AIO and Class APO Certificates will each consist of three payment components: one component relating to pool 1, one component relating to pool 2 and one component relating to pool 3.

The Class A1 Certificates will consist of two payment components, each of which relates to pool 1.

The Class A2 Certificates will consist of two payment components: one component relating to pool 1 and one component relating to pool 2.

The Class A3 Certificates will consist of three payment components: one component relating to pool 1, one component relating to pool 2 and one component relating to pool 3.

Payments of interest and principal on the subordinate certificates will be based on collections from all three pools.

Payments of interest on the Class AIO Certificates and payments of principal on the Class APO Certificates will be calculated on the basis of amounts collected on certain assistance loans in pool 1, pool 2 and pool 3 as described in this prospectus supplement.

The certificates will have an approximate total initial principal amount of \$786,074,310. Any difference between the total principal amount of the certificates on the date they are issued and the approximate total principal amount of the certificates on the date of this prospectus supplement will not exceed 5%.

### ***Payment Components***

As described above, each class of the Class A3, Class AIO and Class APO Certificates will consist of three payment components. Each component is related to pool 1, pool 2 or pool 3, and will accordingly be designated with either a “(1),” a “(2)” or a “(3),” as applicable.

The Class A1 and Class A2 Certificates will each consist of two payment components. Each component of the Class A1 Certificates relates to pool 1, and will be designated with an “(A)” or a “(B)”. Each component of the Class A2 Certificates relates to pool 1 or pool 2, and will accordingly be designated with either a “(1)” or a “(2),” as applicable.

The principal amount, or notional amount, of each class of certificates consisting of components at any time will equal the sum of the related components. For example, the outstanding notional amount of the Class AIO Certificates will equal the sum of the outstanding notional amount of the AIO(1), AIO(2) and AIO(3) components. In addition, the total amount of interest accrued on the Class AIO Certificates in any given accrual period will equal the sum of the amount of interest accrued on the AIO(1), AIO(2) and AIO(3) components in that period.

The holder of a class consisting of components will not have a severable interest in any component, but will have an undivided interest in the entire related class. The components cannot be transferred separately.

See “*Description of the Certificates*” in this prospectus supplement.

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

Principal and interest on the certificates will be payable on the 25th day of each month, beginning in March 2002. However, if the 25th day is not a business day, payments will be made on the next business day after the 25th day of the month.

### *Interest Payments*

Interest will accrue on each class of certificates, other than the principal-only certificates, at the applicable annual rates specified in this prospectus supplement.

The Class APO Certificates are principal-only certificates and will not be entitled to payments of interest.

See “*Description of the Certificates—Distributions of Interest*” in this prospectus supplement.

### *Principal Payments*

The amount of principal payable on the certificates, other than the interest-only certificates, will be determined by (1) the amount of funds actually received on the related assistance loans that are available to make payments on the certificates and, (2) formulas that allocate portions of principal payments received on the assistance loans among the classes of senior and subordinate certificates. Funds actually received on the assistance loans may consist of payments due and actually received during the related collection period, and unexpected payments resulting from prepayments by borrowers, liquidation of defaulted assistance loans, or repurchases of assistance loans under the circumstances described in this prospectus supplement.

The key allocation concept for the Class A1, A2 and A3 Certificates is the related Senior Principal Distribution Amount. The key allocation concept for the Class APO Certificates is the APO Principal Distribution Amount. The key allocation concept for the subordinate certificates is the Subordinate Principal Distribution Amount. Each of the foregoing amounts will be calculated based on the amount of principal actually received by the servicer.

The Class AIO Certificates are interest-only certificates and will not be entitled to payments of principal.

See “*Description of the Certificates—Distributions of Principal*” in this prospectus supplement.

### **Limited Recourse**

The only source of cash available to make interest and principal payments on the certificates will be the assets of the trust fund. The trust fund will have no other source of cash and no other entity will be required or expected to make any payments on the certificates.

### ***Enhancement of Likelihood of Payment on the Certificates***

The payment structure used by the trust fund includes subordination and loss allocation features to enhance the likelihood that holders of more senior classes of certificates will receive regular payments of interest and principal. The senior certificates will be less likely to experience losses than the subordinate certificates, and each class of subordinate certificates with a lower numerical class designation will be less likely to experience losses than each class of subordinate certificates with a higher numerical class designation.

Because the classes of subordinate certificates represent interests in all three loan pools, the principal balances of the subordinate certificates could be reduced to zero as a result of disproportionately high losses on the assistance loans in one pool, increasing the likelihood that losses experienced in another pool will be allocated to the senior certificates corresponding to that other pool.

See “*Risk Factors—Potential Inadequacy of Credit Enhancement*” and “*Description of the Certificates—Allocation of Realized Losses*” in this prospectus supplement for a detailed description of subordination and loss allocation.

### *Subordination of Payments*

Certificates with an “A” in their class designation will have a payment priority as a group over other certificates. The Class B1 Certificates will have a payment priority over the Class B2 and B3 Certificates, and the Class B2 Certificates will have a payment priority over Class B3 Certificates. The Class B3 Certificates will have a payment priority over the Class B4, B5 and B6 Certificates.

See “*Description of the Certificates—Priority of Distributions*” in this prospectus supplement.

### *Allocation of Losses*

If the assistance loans experience losses (except excess losses, as described in this prospectus supplement), then the principal amount of the class of certificates (or the principal amount of the related component) that is lowest in seniority and still outstanding will be reduced by the amount of those losses until the total outstanding principal amount of that class or component equals zero.

- If a loss has been allocated to reduce the principal balance of your class, you will receive no payment in respect of that reduction.

See “*Description of the Certificates—Allocation of Realized Losses*” in this prospectus supplement.

#### *Limited Cross-Collateralization*

Under certain limited circumstances, payments on the assistance loans in one pool may be distributed to holders of certain senior certificates (or the components of such certificates) corresponding to another pool. As described in greater detail in this prospectus supplement, this “cross-collateralization” among the pools may occur in the following way. For example:

#### High loss situations:

- In general, if the total principal amount of the senior certificates (and related components) relating to a loan pool exceeds the total principal balance of the related assistance loans, and if the total principal amount of the subordinate certificates has been reduced to zero (through the allocation of losses or otherwise), then collections received on one or more other pools of assistance loans, after the total principal amount of the related senior certificates has been reduced to zero, may be used to pay a deferred amount to the senior certificates whose total principal amount exceeds the total principal balance of the related assistance loans.

See “*Description of the Certificates—Limited Cross-Collateralization*” in this prospectus supplement.

#### **The Assistance Loans**

On the closing date, which is expected to be on or about March 8, 2002, the assets of the trust will consist primarily of three pools of assistance loans with a total unpaid principal balance as of the cut-off date (January 31, 2002) of approximately \$786,074,310.30. Approximately 89.10% of the assistance loans will be secured by mortgages, deeds of trust, or other security instruments creating a security interest in real estate, all of which are referred to in this prospectus supplement as mortgages. Approximately 4.45% of these mortgage loans secured by real estate are secured by mobile homes. Certain loans, as described in this prospectus supplement are secured by personal property or by assignments of rights to certain payments (including

special assessments, as described in this prospectus supplement). Some loans are not secured. We generally believe that, except for the special assessments, the collateral for the loans that are secured by collateral other than real estate has no significant value. It is not expected that any amounts will be realized on this collateral if the related borrowers default, and we therefore refer to these loans as “unsecured”.

Approximately 87.54% of the assistance loans are secured by residential properties of various types. Approximately 1.56% of the assistance loans are secured by other types of real estate collateral, including unimproved land, commercial or mixed-use properties, farm properties, vacation homes or investment properties. Approximately 5.41% of the assistance loans are secured by assignments of rights to payment under special assessments, as described in this prospectus supplement. Approximately 5.49% of the assistance loans are considered to be unsecured.

Approximately 59.74% of the mortgage loans expected to be included in the trust fund on the closing date will be secured by liens that are junior in priority to one or more senior liens on the related mortgaged properties.

The assistance loans were originated by the United States Small Business Administration to borrowers who incurred losses in a federally recognized disaster. As a result, the prepayment, delinquency, foreclosure and bankruptcy characteristics of the assistance loans may differ from those associated with other loans.

The assistance loans in the trust fund will not be insured or guaranteed by any government agency, including the United States Small Business Administration.

Interest accrues on the substantial majority of the assistance loans on a simple interest basis, as described in this prospectus supplement.

See “*Description of the Loan Pools*” and “*The SBA Disaster Loan Program*” in this prospectus supplement and “*The Trust Funds—General*” in the prospectus for a general description of the assistance loans.

#### **Servicing of the Assistance Loans**

Initially, the Servicer will be Aurora Loan Services Inc. Servicing may subsequently be transferred to other servicers in accordance with the trust agreement, the servicing agreement and the United States Small Business Administration’s

guidelines and procedures, as described in this prospectus supplement.

See “The Servicer” and “Servicing of the Assistance Loans” in this prospectus supplement.

### Optional Purchase of the Assistance Loans

The servicer may (and if the certificates remain outstanding on the distribution date immediately before the maturity date, the servicer will) purchase the assistance loans on any distribution date after the total principal balance of the assistance loans (determined in the aggregate rather than by pool) declines to less than 5% of their initial total principal balance. If the servicer fails to exercise its option to purchase the assistance loans and the Class A1 Certificates are still outstanding, Fannie Mae may purchase the assistance loans in Pool 1, subject to the conditions described in this prospectus supplement.

If the assistance loans are purchased, holders of the related senior certificates will be paid accrued interest up to the record date for the related distribution date and principal equal to the outstanding principal amount of the certificates. Holders of Class AIO Certificates will receive only interest accrued and unpaid on the related components to the date of purchase.

See “Description of the Certificates—Optional Termination of the Trust Fund” in this prospectus supplement for a description of the purchase price to be paid for the assistance loans.

### Tax Status

An election will be made to treat a portion of the trust fund as a FASIT for federal income tax purposes. Each of the certificates other than the Class O, Class APO and the Class AIO Certificates will represent ownership of FASIT “regular interests” in the FASIT, the Class APO and Class AIO Certificates will represent “high-yield interests” in the FASIT and the Class O Certificate will be designated as the sole class of “ownership interest” in the FASIT.

The Class AIO and Class APO Certificates will be, and other classes of certificates may be, issued with original issue discount for federal income tax purposes.

There are restrictions on the ability of certain types of investors to purchase the Class APO and Class AIO Certificates.

See “Material Federal Income Tax Considerations” in this prospectus supplement and in the accompanying prospectus for additional

information concerning the application of federal income tax laws to the certificates.

### ERISA Considerations

None of the Certificates may be purchased by employee benefit plans or individual retirement accounts subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986 or by persons investing on behalf of or with plan assets of such plans.

See “ERISA Considerations” in this prospectus supplement and in the prospectus for a more complete discussion of these issues.

### Legal Investment Considerations

None of the certificates will constitute “mortgage related securities” for purposes of the Secondary Mortgage Market Enhancement Act of 1984.

There are other restrictions on the ability of certain types of investors to purchase the certificates that prospective investors should consider.

See “Legal Investment Considerations” in this prospectus supplement and in the prospectus.

### Ratings of the Certificates

The certificates offered by this prospectus supplement will initially have the following ratings from Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., Fitch Ratings and Moody’s Investors Service, Inc.:

<u>Class</u>	<u>S&amp;P Rating</u>	<u>Fitch Rating</u>	<u>Moody’s Rating</u>
A1	AAA	AAA	Aaa
A2	AAA	AAA	Aaa
A3	AAA	AAA	Aaa
AIO	AAA	AAA	Aaa
AP0	AAA	AAA	Aaa
B1	AA	AA	Aa2
B2	A	A	A2
B3	BBB	BBB	Baa2

- These ratings are not recommendations to buy, sell or hold these certificates. A rating may be changed or withdrawn at any time by the assigning rating agency.
- The ratings do not address the possibility that, as a result of principal prepayments, the yield on your certificates may be lower than anticipated.

See “Ratings” in this prospectus supplement for a more complete discussion of the certificate ratings.



## Risk Factors

The following information, which you should carefully consider, identifies certain significant sources of risk associated with an investment in the certificates. You should also carefully consider the information set forth under “Risk Factors” in the prospectus.

### Unique Characteristics of

#### Assistance Loans . . . . .

The assistance loans were made by the United States Small Business Administration to borrowers who have experienced significant property losses in certain earthquakes, storms, wildfires, and other federally-recognized disasters. The guidelines used to originate the assistance loans are based on federal legislation and regulations adopted to assist borrowers in need after a disaster and are therefore different from underwriting guidelines typically used to originate single-family residential mortgage loans or other consumer loans or small business loans. As a result, the assistance loans are likely to experience rates of delinquency, foreclosure and bankruptcy that are different from those experienced by other loans.

Changes in the values of collateral pledged to secure the assistance loans may have a greater effect on the delinquency, foreclosure, bankruptcy and loss experience of the assistance loans in the trust fund than such changes would have on loans originated under stricter guidelines or which are secured by collateral that had not been damaged in a disaster. We cannot assure you that the values of the collateral have remained or will remain at levels in effect or anticipated on the dates of origination of the related assistance loans, or that loan proceeds were in all cases applied to restore the damaged property.

*See “Description of the Loan Pools—General” in this prospectus supplement for a description of the characteristics of the assistance loans in the loan pools and “The SBA’s Disaster Loan Program” for a general description of the underwriting guidelines applied in originating the assistance loans.*

#### A Majority of the Mortgage Loans are Secured by Junior Liens . . .

Approximately 59.74% of the mortgage loans expected to be included in the trust fund on the closing date will be secured by deeds of trust or mortgages that are junior in priority to one or more senior liens on the related mortgaged property. As a result, the rights of the trust fund (and therefore the certificateholders) as beneficiary under a junior deed of trust or as mortgagee under a junior mortgage are subordinate to those of the mortgagees or beneficiaries under the senior mortgages or deeds of trust, including prior rights of the senior mortgagees or beneficiaries to receive rents, hazard insurance and condemnation proceeds and to cause the property securing the mortgage loan to be sold upon default of the mortgagor or trustor, thereby extinguishing the junior mortgagee’s or junior beneficiary’s lien unless the servicer asserts the trust fund’s subordinate interest in the related mortgaged property in foreclosure litigation or the trust fund satisfies the defaulted senior loans.

The trust fund will not have any resources with which to satisfy any loans secured by liens that are senior to liens securing the mortgage loans.

*See “Description of the Loan Pools—General” in this prospectus supplement for a description of the characteristics of the assistance loans (including the mortgage loans) in the loan pools. See “Legal Aspects of Loans — Junior Mortgages; Rights of Senior Mortgages” in the Prospectus for more detailed information about junior liens.*

**Some Assistance Loans are**

**Unsecured . . . . .**

Approximately 5.49% of the assistance loans are unsecured. Approximately 5.41% of the assistance loans are secured by special assessments. Investors should consider the risk that the value of these collateral types may be difficult to determine and may decline over time regardless of market conditions. Unsecured assistance loans and loans secured by collateral other than real estate are likely to experience higher rates of delinquency and default and experience greater losses relative to their balances than loans secured by real estate. In addition, defaults on these loans are more likely to result in total losses.

*See “Description of the Loan Pools—General” in this prospectus supplement for a description of the characteristics of the assistance loans in the loan pools and “The SBA’s Disaster Loan Program” for a general description of the underwriting guidelines applied in originating the assistance loans.*

**Potential Inadequacy of Credit**

**Enhancement . . . . .**

The certificates are not insured by any financial guaranty insurance policy or by any governmental agency. The subordination, loss allocation and limited cross-collateralization features described in this prospectus supplement are intended to enhance the likelihood that holders of more senior classes of certificates will receive regular payments of interest and principal, but are limited in nature and may be insufficient to cover all losses on the assistance loans.

The amount of any loss (other than a specified portion of any loss on a “discount” loan and certain “excess” losses described in this prospectus supplement) experienced on an assistance loan will be applied to reduce the principal amount of the class of subordinate certificates with the highest numerical class designation, until the principal amount of that class has been reduced to zero. If subordination is insufficient to absorb losses, then certificateholders of more senior classes will incur losses and may never receive all of their principal payments. You should consider the following:

- if you buy a Class B3 Certificate and losses on the assistance loans exceed the total principal amount of the Class B4, B5 and B6 Certificates, the principal amount of your certificates will be reduced proportionately with the principal amount of the other Class B3 Certificates by the amount of that excess;
- if you buy a Class B2 Certificate and losses on the assistance loans exceed the total principal amount of the Class B3, B4, B5 and B6 Certificates, the principal amount of your certificates will be reduced proportionately with the principal amount of the other Class B2 Certificates by the amount of that excess;
- if you buy a Class B1 Certificate and losses on assistance loans exceed the total principal amount of the Class B2, B3, B4, B5 and

B6 Certificates, the principal amount of your certificates will be reduced proportionately with the principal amount of the other Class B1 Certificates by the amount of that excess;

- after the total principal amount of the subordinate certificates has been reduced to zero, losses on the pool 1 assistance loans will reduce the principal amounts of the A1(A) Component, the A1(B) Component, the A2(1) Component and the A3(1) Component proportionately, losses on the pool 2 assistance loans will reduce the principal amounts of the A2(2) Component and the A3(2) Component proportionately, and losses on the pool 3 assistance loans will reduce the principal amounts of the A3(3) Component; and
- after the total principal amount of the subordinate certificates has been reduced to zero, the Class APO Certificates will no longer have the benefit of the special loss mitigation feature described in this prospectus supplement.

Because the subordinate certificates represent interests in all three loan pools, the principal amounts of the subordinate certificates could be reduced to zero as a result of a disproportionately high amount of losses on the assistance loans in any particular pool. As a result, losses in one pool will reduce the loss protection provided by the subordinate certificates to the senior certificates and components corresponding to the other pools, and will increase the likelihood that losses will be allocated to those other senior certificates and components.

*See “Description of the Certificates—Priority of Distributions” and “—Allocation of Realized Losses” in this prospectus supplement.*

#### **Unpredictability and Effect of Prepayments . . . . .**

The rate of prepayments on the assistance loans will be sensitive to prevailing interest rates. Generally, if prevailing interest rates decline, assistance loan prepayments may increase due to the availability of refinancing at lower interest rates. If prevailing interest rates rise, prepayments on the assistance loans may decrease. However, the assistance loans have interest rates that are generally below those customarily offered by financial institutions. In addition, many of the assistance loans were made to borrowers who did not otherwise qualify for loans from financial institutions. Therefore, the rate of prepayments experienced by the assistance loans may be different from that of residential mortgage loans or other consumer loans or small business loans generally. Borrowers may prepay their assistance loans in whole or in part at any time without penalty.

The timing of prepayments of principal may also be influenced by liquidations or purchases of or insurance payments on the assistance loans. A prepayment of an assistance loan in a pool will usually result in a payment of principal on (or a reduction in the notional amount of) the related certificates.

- If you purchase your certificates at a discount, especially the Class APO Certificates, and principal prepayments on the related assistance loans are received at a rate slower than you anticipate, then your yield may be lower than you anticipate.

- If you purchase your certificates at a premium, especially the Class AIO Certificates, and principal prepayments on the related assistance loans are received at a rate faster than you anticipate, then your yield may be lower than you anticipate.

*See “Yield, Prepayment, and Weighted Average Life” in this prospectus supplement for a description of factors that may influence the rate and timing of prepayments on the assistance loans.*

Prospective investors should consider that the Servicer or its affiliates or agents may actively solicit borrowers to refinance their assistance loans, thus increasing the rate of prepayments.

#### **Delinquency Advances will be**

##### **Limited .....**

The servicer will make advances, limited as described in the prospectus supplement, for the interest portion of delinquent monthly payments, but not for the principal portion. Delinquency interest advances for any assistance loan secured by non-real estate collateral will be limited to two consecutive advances.

#### **Special Risks for Certain Classes of**

##### **Certificates .....**

The Class APO Certificates are principal-only certificates and the Class AIO Certificates are interest-only certificates. These certificates have yields to maturity (or optional termination) — the yield you will receive if you hold a certificate until it has been paid in full—that are highly sensitive to prepayments on the related assistance loans.

If you purchase any of the above classes of certificates, you should consider the risk that you may receive a lower than expected yield under the following circumstances:

- A faster than expected rate of prepayment on assistance loans having net interest rates greater than 3.45%, in the case of the Class AIO Certificates; or
- A slower than expected rate of prepayments on assistance loans having net interest rates lower than 3.45%, in the case of the Class APO Certificates.

Prepayments on the related assistance loans, including liquidations, purchases and insurance payments, could result in the failure of investors in the interest-only certificates to fully recover their initial investments.

As described above, borrowers may be encouraged to prepay their assistance loans.

Exercise by the servicer of its right to purchase the assistance loans, as described under “Description of the Certificates—Optional Termination of the Trust Fund” will adversely affect the yield on the Class AIO Certificates.

*See “Yield, Prepayment, and Weighted Average Life” in this prospectus supplement for a description of factors that may affect the sensitivity of these certificates’ yield to maturity.*

#### **High LTV Loans .....**

Approximately 2.56% of the mortgage loans included in pool 1 have combined loan-to-value ratios greater than 100% but less than or equal to approximately 125%. Approximately 12.97% of the mortgage loans in pool 2 have combined loan-to-value ratios greater than 100% but

less than or equal to approximately 150%. Approximately 9.48% of the mortgage loans in pool 3 have combined loan-to-value ratios greater than 100% but less than or equal to approximately 150%. Loans with high combined loan-to-value ratios are likely to experience a higher rate of delinquencies and losses than loans with lower combined loan-to-value ratios because the borrower has little or no equity in the related mortgaged property.

*See “Description of the Loan Pools” and “The SBA’s Disaster Loan Program” herein.*

#### **Default Risk on High Balance**

##### **Assistance Loans .....**

The unpaid principal balances of approximately 15 of the assistance loans in pool 2 and 1 of the assistance loans in pool 3 (representing approximately 6.02% and 0.38% of the assistance loans in pool 2 and pool 3, respectively) were in excess of \$1,000,000 as of January 31, 2002. You should consider the risk that the loss and delinquency experience on these high balance loans may have a disproportionate effect on the related pool as a whole.

#### **Delinquencies Due to**

##### **Servicing Transfers .....**

As described in this prospectus supplement, the assistance loans serviced by Aurora Loan Services Inc. may be transferred to another Servicer in accordance with the relevant provisions of the trust agreement and the servicing agreement. Assistance loans subject to servicing transfers may experience increased delays in payments until all of the borrowers are informed of the transfer and the related servicing files and records and all relevant data have been obtained by the new servicer.

#### **Geographic Concentration of**

##### **Assistance Loans .....**

All of the assistance loans in pool 1 and pool 2 expected to be included in the trust fund on the closing date are secured by properties or other collateral in California or, if unsecured, are obligations of borrowers located in California. Approximately 19.02% of the assistance loans in pool 3 are secured by properties or other collateral in Florida or, if unsecured, are obligations of borrowers located in, Florida. The rate of delinquencies, defaults and losses on the assistance loans may be higher than if fewer of the assistance loans were concentrated in those states because the following conditions in one or more of those states will have a disproportionate impact on the assistance loans in general:

- Weak economic conditions, which may or may not affect real property values, may affect the ability of borrowers to repay their loans on time;
- Declines in the residential real estate market in these states may reduce the values of properties, which would result in an increase in the combined loan-to-value ratios; and
- Properties in one or more of those states, particularly in California and Florida, may be more susceptible than homes located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, as well as storms, floods, wildfires, mudslides and other natural disasters.

Natural disasters affect regions of the United States from time to time, and may result in increased losses on assistance loans in those regions, or in insurance payments that will constitute prepayments of those assistance loans. In addition, because the mortgaged properties have already been subject to a federally-recognized disaster, it is likely that the mortgaged properties are located in areas that may be subject to future natural disasters.

*For additional information regarding the geographic distribution of the assistance loans in each loan pool, see the applicable table under “Description of the Loan Pools” in this prospectus supplement.*

## **Lack of Primary Mortgage**

### **Insurance .....**

Approximately 11.72%, 32.43% and 29.93% of the mortgage loans in pool 1, pool 2 and pool 3, respectively, that are expected to be in the trust fund on the closing date have as of the cut-off date combined loan-to-value ratios greater than 80%. None of these mortgage loans are covered by a primary mortgage insurance policy. If borrowers without primary mortgage insurance default on their mortgage loans, there is a greater likelihood of losses than if the loans were insured. We cannot assure you that the applicable credit enhancement will be adequate to cover those losses.

## **Effects of Performance of Assistance**

### **Loans on Ratings of Certificates .....**

If you are the owner of a class of subordinate certificates or a class that consists of components, the rating assigned to your class will depend on the performance of the assistance loans in each pool relating to such class. Therefore, the poor performance of a single pool may affect the rating assigned to your class, notwithstanding the better performance of the remaining pools.

## **Limited Ability to Resell**

### **Certificates .....**

The underwriter is not required to assist in resales of the certificates, although it may do so. A secondary market for any class of certificates may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your certificates.

## **Special Tax Rules Applicable to Class APO and Class AIO**

### **Certificates .....**

Income from a Class APO or a Class AIO Certificate generally cannot be offset by non-FASIT losses for federal income tax purposes. In addition, if you own a Class APO or a Class AIO Certificate and transfer it to a “disqualified holder,” you generally will continue to be taxed on the income attributable to that certificate. See “Material Federal Income Tax Considerations” in this prospectus supplement and in the prospectus.

## **Recent Attacks and Military**

### **Action .....**

The effects that the recent attacks in the United States, possible future attacks and other incidents and related military action may have on the performance of the assistance loans or on the values of loan collateral cannot be determined at this time. Investors should consider the possible effects on delinquency, default and prepayment experience of the assistance loans. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of loans to borrowers affected in some way by recent and possible future events.



## Description of the Certificates

### General

The Series 2002-AL1 Pass-Through Certificates (the “Certificates”) will consist of the Classes of Certificates set forth in the table on page S-2 along with the Class B-4, Class B-5, Class B-6 and Class O Certificates. Classes of Certificates with an “A” in their class designation are referred to herein as the “Senior Certificates;” the Class B1, Class B2 and Class B3 Certificates are referred to herein as the “Offered Subordinate Certificates;” and the Offered Subordinate Certificates along with the Class B4, Class B5 and Class B6 Certificates are referred to herein as the “Subordinate Certificates.” Only the Senior Certificates and the Offered Subordinate Certificates (the “Offered Certificates”) are offered hereby. The Class APO Certificates are sometimes referred to herein as the “Principal-Only Certificates;” the Class AIO Certificates are sometimes referred to herein as the “Interest-Only Certificates;” and Classes of Senior Certificates other than the Class APO Certificates are sometimes referred to herein as the “Non-APO Senior Certificates.” The Class O Certificate is sometimes referred to as the “Ownership Certificate.”

The Certificates represent beneficial ownership interests in a trust fund (the “Trust Fund”), the assets of which consist primarily of (1) three pools (“Pool 1,” “Pool 2” and “Pool 3,” respectively, and each, a “Loan Pool”) of fixed rate, fully amortizing, first and junior lien SBA disaster assistance mortgage loans (the “Mortgage Loans”) and other SBA disaster assistance loans that are secured by non-real estate collateral or are unsecured as described herein (together with the Mortgage Loans, the “Assistance Loans”), (2) such assets as from time to time are identified as deposited in respect of the Assistance Loans in the certificate account, (3) such amounts as are from time to time on deposit in the Simple Interest Reserve Fund, (4) property acquired by foreclosure or deed in lieu of foreclosure, (5) any applicable insurance policies and (6) all proceeds thereof.

***The Group 1 Certificates.*** The A1(A) and A1(B) Components of the Class A1 Certificates, the A2(1) Component of the Class A2 Certificates, the A3(1) Component of the Class A3 Certificates, the APO(1) Component of the Class APO Certificates and the AIO(1) Component of the Class AIO Certificates, are referred to herein as the “Group 1 Certificates”. Distributions of interest and principal on the Group 1 Certificates will be based primarily on interest and principal received or advanced with respect to the Assistance Loans (or specified Assistance Loans) in Pool 1.

***The Group 2 Certificates.*** The A2(2) Component of the Class A2 Certificates, the A3(2) Component of the Class A3 Certificates, the APO(2) Component of the Class APO Certificates and the AIO(2) Component of the Class AIO Certificates are referred to herein as the “Group 2 Certificates.” Distributions of interest and principal on the Group 2 Certificates will be based primarily on interest and principal received or advanced with respect to the Assistance Loans (or specified Assistance Loans) in Pool 2.

***The Group 3 Certificates.*** The A3(3) Component of the Class A3 Certificates, the APO(3) Component of the Class APO Certificates and the AIO(3) Component of the Class AIO Certificates, are referred to herein as the “Group 3 Certificates.” Distributions of interest and principal on the Group 3 Certificates will be based primarily on interest and principal received or advanced with respect to the Assistance Loans (or specified Assistance Loans) in Pool 3.

The Group 1, Group 2 and Group 3 Certificates are sometimes referred to separately as a “Certificate Group.”

For purposes of distributions of interest and principal and the allocation of Realized Losses (as defined herein), the Senior Certificates will each comprise payment components (each, a “Component”) having the designations and approximate initial Component Principal Amounts or Component Notional Amounts (as defined herein) set forth below or as described herein:

	<u>Approximate Initial Component Principal Amount</u>
A1(A) Component .....	\$ 75,526,705
A1(B) Component .....	\$ 41,670,294
A2(1) Component .....	\$ 5,776,810
A2(2) Component .....	\$149,853,189
A3(1) Component .....	\$ 31,021,012
A3(2) Component .....	\$ 96,668,498
A3(3) Component .....	\$289,147,489
AIO(1) Component .....	(1)
AIO(2) Component .....	(1)
AIO(3) Component .....	(1)
APO(1) Component .....	\$ 3,076,481
APO(2) Component .....	\$ 4,838,177
APO(3) Component .....	\$ 3,149,635

(1) The AIO(1), AIO(2) and AIO(3) Components will not have a principal amount; they will accrue interest on a notional amount described herein.

The holder of a Class of Certificates comprising Components will not have a severable interest in any Component but will have an undivided interest in the entire Class. Any amounts distributed in respect of any Component, and any Realized Losses allocated thereto, will be distributed or allocated proportionately to all holders of Certificates of the related Class. The Class A1 Certificates comprise two payment Components (the A1(A) and A1(B) Components), each of which relates to Pool 1. The Class A2 Certificates comprise two payment Components (the A2(1) and A2(2) Components), the parenthetical designation of each such payment Component indicating the Pool to which it relates. The Class A3 Certificates comprise three payment components (the A3(1), A3(2) and A3(3) Components), the parenthetical designation of each such payment Component indicating the pool to which it relates. The Class AIO Certificates comprise three notional Components (the AIO(1), AIO(2) and AIO(3) Components), having the initial Component Notional Amounts described above. The Class APO Certificates comprise three payment Components (the APO(1), APO(2) and APO(3) Components), having the initial Component Principal Amounts described above.

Each Class of Offered Certificates will be issued in the respective approximate initial total principal amount (a “Class Principal Amount”) specified in the table on page S-2 or total notional amount (a “Class Notional Amount”) described under “—Distributions of Interest” herein. The approximate initial Class Principal Amount of each of the Class B4, Class B5 and Class B6 Certificates is \$10,053,000, \$7,873,000 and \$17,942,015, respectively or, in aggregate, approximately 4.56% of the initial total Class Principal Amount of all of the Certificates. The initial total Certificate Principal Amount (or total Notional Amount (as defined herein)) of all the Certificates and, if applicable, the initial Component Principal Amount of each related Component may be increased or decreased by up to five percent to the extent that the total Principal Balance on the Cut-off Date (the “Cut-off Date Balance”) of the Assistance Loans is increased or decreased as described under “Description of the Loan Pools” herein.

Distributions on the Certificates will be made on the 25th day of each month or, if the 25th day is not a Business Day, on the next succeeding Business Day, beginning in March 2002 (each a “Distribution Date”), to Certificateholders of record on the applicable Record Date. The “Record Date” for each Distribution Date will be the last Business Day of the month immediately preceding the month in which the Distribution Date occurs. A “Business Day” is generally any day other than a Saturday or Sunday or a day on which banks in New York, Maryland, Minnesota or Colorado are closed or a day on which Fannie Mae is closed. For

purposes of calculating the Record Date, a Business Day is generally any day other than a Saturday or Sunday or a day on which banks in New York, Maryland or Minnesota are closed.

Distributions on the Certificates will be made to each registered holder entitled thereto, either (1) by check mailed to the address of the Certificateholder as it appears on the books of the Trustee (as defined herein), or (2) at the request of any holder, submitted to the Trustee in writing at least five Business Days prior to the related Record Date, by wire transfer (at the expense of the holder) in immediately available funds; provided, that the final distribution in respect of any Certificate will be made only upon presentation and surrender of the Certificate at the Corporate Trust Office (as defined herein) of the Trustee. See “—The Trustee” herein.

The Offered Certificates (collectively, the “Book-Entry Certificates”) will be issued, maintained and transferred on the book-entry records of The Depository Trust Company (“DTC”) and its Participants (as defined herein). The Class A1, Class A2, Class A3 and Class APO Certificates will be issued in minimum denominations of \$25,000 and integral multiples of \$1 in excess thereof. The Class B1, Class B2 and Class B3 Certificates will be issued in minimum denominations of \$250,000 and integral multiples of \$1 in excess thereof. The Class AIO Certificates will be issued in minimum denominations of \$1,000,000 in Notional Amount (as defined herein) and integral multiples of \$1 in excess thereof. The Class O Certificate (the “Ownership Certificate”) will be issued as a single certificate and maintained in definitive, fully registered form, representing the entire Percentage Interest in that Class.

The “Percentage Interest” of a Certificate will be a fraction, expressed as a percentage, the numerator of which is that Certificate’s Certificate Principal Amount or Notional Amount and the denominator of which is the applicable Class Principal Amount or Class Notional Amount.

Each Class of Book-Entry Certificates will be represented by one or more certificates registered in the name of the nominee of DTC. Structured Asset Securities Corporation (the “Depositor”) has been informed by DTC that DTC’s nominee will be Cede & Co. No person acquiring a beneficial ownership interest in a Book-Entry Certificate (each, a “Beneficial Owner”) will be entitled to receive a certificate representing such person’s interest (a “Definitive Certificate”), except as set forth below under “—Book-Entry Registration—Definitive Certificates.” Unless and until Definitive Certificates are issued for the Book-Entry Certificates under the limited circumstances described herein, all references to actions by Certificateholders with respect to the Book-Entry Certificates will refer to actions taken by DTC upon instructions from its Participants, and all references herein to distributions, notices, reports and statements to Certificateholders with respect to the Book-Entry Certificates will refer to distributions, notices, reports and statements to DTC or Cede & Co., as the registered holder of the Book-Entry Certificates, for distribution to Beneficial Owners by DTC in accordance with DTC procedures.

## **Book-Entry Registration**

**General.** Each Beneficial Owner will hold their Certificates through DTC in the United States, or Clearstream Banking, société anonyme (formerly Cedelbank) (hereinafter, “Clearstream Luxembourg”), or the Euroclear System (“Euroclear”) in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Each Class of Book-Entry Certificates will be issued in one or more certificates that equal the initial Class Principal Amount or Class Notional Amount of the related Class of Offered Certificates and will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream Luxembourg’s and Euroclear’s names on the books of their respective depositaries which in turn will hold such positions in customers’ securities accounts in the depositaries names on the books of DTC. Citibank will act as depositary for Clearstream Luxembourg and JPMorgan Chase Bank will act as depositary for Euroclear (in such capacities, individually the “Relevant Depositary” and collectively, the “European Depositaries”). Except as described below, no Beneficial Owner will be entitled to receive a physical certificate representing such Certificate. Unless and until Definitive Certificates are issued, it is anticipated that the only “Certificateholder” of the Offered Certificates will be Cede & Co., as nominee of DTC. Beneficial Owners will not be Certificateholders as that term is used in the

Trust Agreement. Beneficial Owners are only permitted to exercise their rights indirectly through Participants and DTC.

The Beneficial Owner's ownership of a Book-Entry Certificate will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "Financial Intermediary") that maintains the Beneficial Owner's account for such purpose. In turn, the Financial Intermediary's ownership of such Book-Entry Certificate will be recorded on the records of DTC (or of a participating firm (a "Participant") that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the Beneficial Owner's Financial Intermediary is not a DTC participant and on the records of Clearstream Luxembourg or Euroclear, as appropriate).

Beneficial Owners will receive all distributions of principal of, and interest on, the Offered Certificates from the Trustee through DTC and DTC participants. While the Offered Certificates are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Offered Certificates and is required to receive and transmit distributions of principal of, and interest on, the Offered Certificates. Participants and indirect participants with whom Beneficial Owners have accounts with respect to Offered Certificates are similarly required to make book-entry transfers and receive and transmit such distributions on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners will not possess certificates, the Rules provide a mechanism by which Beneficial Owners will receive distributions and will be able to transfer their interest.

Beneficial Owners will not receive or be entitled to receive certificates representing their respective interests in the Offered Certificates, except under the limited circumstances described below. Unless and until Definitive Certificates are issued, Beneficial Owners who are not Participants may transfer ownership of Offered Certificates only through Participants and indirect participants by instructing such Participants and indirect participants to transfer Offered Certificates, by book-entry transfer, through DTC for the account of the purchasers of such Offered Certificates, which account is maintained with their respective Participants. Under the Rules and in accordance with DTC's normal procedures, transfer of ownership of Book-Entry Certificates will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and indirect participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Beneficial Owners.

Because of time zone differences, credits of securities received in Clearstream Luxembourg or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream Luxembourg Participants on such business day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of securities by or through a Clearstream Luxembourg Participant (as defined below) or Euroclear Participant (as defined below) to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. For information with respect to tax documentation procedures relating to the Certificates, see "Material Federal Income Tax Considerations—FASITs" and "—REMICs—Taxation of Certain Foreign Investors" in the Prospectus and "Global Clearance, Settlement and Tax Documentation Procedures—Certain U.S. Federal Income Tax Documentation Requirements" in Annex A hereto.

Transfers between Participants will occur in accordance with DTC rules. Transfers between Clearstream Luxembourg Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Luxembourg Participants or Euroclear Participants, on the other, will be effected in DTC in accordance with the DTC rules on behalf of the relevant European international clearing system by the Relevant Depository; however, such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver

instructions to the Relevant Depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Luxembourg Participants and Euroclear Participants may not deliver instructions directly to the European Depositories.

DTC, which is a New York-chartered limited purpose trust company, performs services for its participants, some of which (and/or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC participant in the Book-Entry Certificates, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Certificates will be subject to the rules, regulations and procedures governing DTC and DTC participants as in effect from time to time.

Clearstream Banking, société anonyme is incorporated under the laws of Luxembourg as a professional depository. Clearstream Luxembourg holds securities for its participating organizations (“Clearstream Luxembourg Participants”) and facilitates the clearance and settlement of securities transactions between Clearstream Luxembourg Participants through electronic book-entry changes in accounts of Clearstream Luxembourg Participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in Clearstream Luxembourg in any of various currencies, including United States dollars. Clearstream Luxembourg provides to its Clearstream Luxembourg Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Luxembourg Participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for its participants (“Euroclear Participants”) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of various currencies, including United States dollars. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by the Brussels, Belgium office of JPMorgan Chase Bank (the “Euroclear Operator”), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the “Cooperative”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions on the Book-Entry Certificates will be made on each Distribution Date by the Trustee to DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC participants in accordance with DTC's normal procedures. Each DTC participant will be responsible for disbursing such payment to the Beneficial Owners of the Book-Entry Certificates that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the Beneficial Owners of the Book-Entry Certificates that it represents.

Under a book-entry format, beneficial owners of the Book-Entry Certificates may experience some delay in their receipt of payments, since such payments will be forwarded by the Trustee to Cede & Co. Distributions with respect to Certificates held through Clearstream Luxembourg or Euroclear will be credited to the cash accounts of Clearstream Luxembourg Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the Relevant Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See "Material Federal Income Tax Considerations—FASITs" and "—REMICs—Taxation of Certain Foreign Investors" in the Prospectus. Because DTC can only act on behalf of Financial Intermediaries, the ability of a beneficial owner to pledge Book-Entry Certificates to persons or entities that do not participate in the Depository system, or otherwise take actions in respect of such Book-Entry Certificates, may be limited due to the lack of physical certificates for such Book-Entry Certificates. In addition, issuance of the Book-Entry Certificates in book-entry form may reduce the liquidity of such Certificates in the secondary market since certain potential investors may be unwilling to purchase Certificates for which they cannot obtain physical certificates.

Monthly and annual reports will be provided to Cede & Co., as nominee of DTC, and may be made available by Cede & Co. to beneficial owners upon request, in accordance with the rules, regulations and procedures creating and affecting the Depository, and to the Financial Intermediaries to whose DTC accounts the Book-Entry Certificates of such beneficial owners are credited.

DTC has advised the Trustee that, unless and until Definitive Certificates are issued, DTC will take any action permitted to be taken by the holders of the Book-Entry Certificates under the Trust Agreement only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Certificates are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Certificates. Clearstream Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Certificateholder under the Trust Agreement on behalf of a Clearstream Luxembourg Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to the ability of the Relevant Depository to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related Participants, with respect to some Book-Entry Certificates which conflict with actions taken with respect to other Offered Certificates.

Although DTC, Clearstream Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Certificates among participants of DTC, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Depositor, the Trustee (as such terms are defined herein) or any of their respective affiliates will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Certificates held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

***Definitive Certificates.*** Definitive Certificates will be issued to Beneficial Owners or their nominees, respectively, rather than to DTC or its nominee, only under the limited conditions set forth in the Prospectus under "Description of the Securities—Book-Entry Registration." Upon the occurrence of an event described in the penultimate paragraph thereunder, the Trustee is required to direct DTC to notify Participants who have ownership of Book-Entry Certificates as indicated on the records of DTC of the availability of Definitive Certificates for their Book-Entry Certificates. Upon surrender by DTC of the Definitive Certificates representing the Book-Entry Certificates and upon receipt of instructions from DTC for re-registration, the Trustee will re-issue the Book-Entry Certificates as Definitive Certificates in the respective principal amounts



owned by individual Beneficial Owners, and thereafter the Trustee will recognize the holders of such Definitive Certificates as Certificateholders under the Trust Agreement.

For additional information regarding DTC and the Book-Entry Certificates, see “Description of the Securities—Book-Entry Registration” in the Prospectus.

### **Priority of Distributions**

Distributions in respect of the Certificates and Components of each Certificate Group will be made on each Distribution Date from the related Available Distribution Amount (as defined herein). The Class A1 Certificates will generally be entitled to distributions from the Available Distribution Amount for Pool 1 only. The Class A2 Certificates will generally be entitled to distributions from the Available Distribution Amounts for Pool 1 and Pool 2. The Class A3, Class AIO and Class APO Certificates and the Subordinate Certificates will generally be entitled to distributions from the Available Distribution Amounts for all three Loan Pools. See “—Available Distribution Amount” for a description of the available funds for each Loan Pool.

On each Distribution Date, the Available Distribution Amount for each Loan Pool will be allocated among the Classes of Senior Certificates and Components relating to that Loan Pool and among the Classes of Subordinate Certificates in the following order of priority:

- (1) from the Available Distribution Amount for each Loan Pool, to payment of Accrued Certificate Interest on each Component of the Senior Certificates of the related Certificate Group, other than the related Component of the Principal-Only Certificates (reduced, in each case, by any Net Prepayment Interest Shortfalls) for the related Loan Pool allocated to that Class of Certificates on that Distribution Date, as described herein); provided, however, that any shortfall in available amounts for Pool 1, Pool 2 and Pool 3 will be allocated among the Classes or Components of the related Certificate Group in proportion to the amount of such interest (as so reduced) that would otherwise be distributable thereon;
- (2) from the Available Distribution Amount for each Loan Pool, to payment of any outstanding Interest Shortfalls (as defined herein) on each Component of the Senior Certificates of the related Certificate Group, other than the related Component of the Principal-Only Certificates; provided, however, that any shortfall in available amounts for Pool 1, Pool 2 and Pool 3 will be allocated among the Classes or Components of the related Certificate Group in proportion to the amount of such interest (as so reduced) that would otherwise be distributable thereon;
- (3) to the Components of the Senior Certificates of each Certificate Group, other than the related Component of the Interest-Only Certificates, to the extent of the remaining related Available Distribution Amount, as follows:
  - (A) to the A1(A) Component, the A1(B) Component, the A2(1) Component, the A3(1) Component and the APO(1) Component, in reduction of their Component Principal Amounts, from the Available Distribution Amount for Pool 1, concurrently, as follows:
    - (i) to the A1(A) Component, the A1(B) Component, the A2(1) Component and the A3(1) Component, the Senior Principal Distribution Amount for Pool 1, in the following order of priority:
      - (a) to the A1(A) Component, until the Component Principal Amount thereof has been reduced to zero;
      - (b) to the A1(B) Component and the A3(1) Component, *pro rata*, until their respective Component Principal Amounts have been reduced to zero;
      - (c) to the A2(1) Component, until the Component Principal Amount thereof has been reduced to zero; and
    - (ii) to the APO(1) Component, the APO Principal Distribution Amount (as defined herein) for Pool 1, until the Component Principal Amount thereof has been reduced to zero;

(B) to the A2(2) Component, the A3(2) Component and the APO(2) Component, in reduction of their Component Principal Amounts, from the Available Distribution Amount for Pool 2, concurrently, as follows:

(i) to the A2(2) Component and the A3(2) Component, *pro rata*, the Senior Principal Distribution Amount for Pool 2, until the Component Principal Amounts thereof have been reduced to zero; and

(ii) to the APO(2) Component, the APO Principal Distribution Amount for Pool 2, until the Component Principal Amount thereof has been reduced to zero; and

(C) to the Class A3(3) Component and the APO(3) Component, in reduction of their Component Principal Amounts, from the Available Distribution Amount for Pool 3, concurrently, as follows:

(i) to the Class A3(3) Component, the Senior Principal Distribution Amount for Pool 3, until the Component Principal Amount thereof has been reduced to zero; and

(ii) to the APO(3) Component, the APO Principal Distribution Amount for Pool 3, until the Component Principal Amount thereof has been reduced to zero;

(4) as provided in the Trust Agreement, on each Distribution Date on and after the Credit Support Depletion Date (as defined herein), to the extent of the remaining Available Distribution Amount for any Loan Pool the related Components of the Senior Certificates of which have been reduced to zero, *pro rata*, to each Component of the Senior Certificates, any Non-APO Senior Certificate Deferred Amount (as defined herein) for that Component;

(5) to the APO(1), APO(2) and APO(3) Components, to the extent of the remaining Available Distribution Amount for the related Loan Pool, the Component Deferred Amount (as defined herein) for that Component, until the related Component Principal Amount has been reduced to zero; provided, however, that (x) distributions pursuant to this priority will not exceed the Subordinate Principal Distribution Amount for the related Loan Pool for that date; and (y) such amounts will not reduce the Component Principal Amounts of those Components;

(6) to the extent of the remaining Available Distribution Amount for all three Loan Pools, to the Class B1, Class B2, Class B3, Class B4, Class B5 and Class B6 Certificates, in that order, the following amounts, in the following order of priority: (x) Accrued Certificate Interest thereon (as reduced by any Net Prepayment Interest Shortfalls allocated to that Class on that Distribution Date), (y) any outstanding Interest Shortfalls previously allocated to that Class, and (z) the related Class's Subordinate Class Percentage (as defined herein) of the Subordinate Principal Distribution Amount for each Loan Pool for that Distribution Date in reduction of the Class Principal Amount thereof; and

(7) to the extent of the remaining Available Distribution Amount for all three Loan Pools, to the Class O Certificate.

With respect to each Class of Subordinate Certificates other than the Class B6 Certificates, if on any Distribution Date the Credit Support Percentage for that Class is less than that Class's Original Credit Support Percentage, then no distributions in respect of clauses (2) and (3) of the definition of Subordinate Principal Distribution Amount will be made to any Class of lower priority (each, a "Restricted Class"), and the amount otherwise distributable to the Restricted Classes in respect of such payments will be allocated among the remaining Classes of Subordinate Certificates proportionately, based upon their respective Class Principal Amounts. The "Credit Support Percentage" for a Class of Subordinate Certificates for any Distribution Date is equal to the sum of the Class Percentages (as defined below) of each Class of lower priority (without giving effect to distributions on such date). The "Original Credit Support Percentage" for a Class of Subordinate Certificates is the Credit Support Percentage for such Class on the Closing Date. The "Class Percentage" for each Class of Subordinate Certificates for each Distribution Date is the percentage obtained by dividing the Class Principal Amount of such Class immediately prior to that Distribution Date by the sum of the total Class Principal Amount of all Classes of Certificates immediately prior to that date.

## Distributions of Interest

The amount of interest distributable on each Distribution Date in respect of each Class of Certificates (other than the Principal-Only Certificates) will equal the Accrued Certificate Interest (as defined below) for that Class on that Distribution Date or, in the case of the Class A1, Class A2, Class A3 and Class AIO Certificates, the sum of the Accrued Certificate Interest for each Component thereof, as reduced by any Net Prepayment Interest Shortfalls allocable to that Class or Component for that date, as described below.

“Accrued Certificate Interest” for each Component of the Senior Certificates (other than the Components of the Class APO Certificates) on any Distribution Date will equal the amount of interest accrued during the related Accrual Period (as defined below) on the related Component Principal Amount or Component Notional Amount for that Distribution Date at the applicable Interest Rate, as reduced by such Component’s share of (1) the interest portion of any Excess Losses (as defined herein) for such Distribution Date, allocable as described below, and (2) with respect to any Assistance Loan as to which there has been a reduction in the amount of interest collectible as a result of application of the Soldiers’ and Sailors’ Civil Relief Act of 1940, as amended (the “Relief Act,” and any such reduction, a “Relief Act Reduction”), the amount of any such reduction, allocated as described below. See “Legal Aspects of Loans—Soldiers’ and Sailors’ Civil Relief Act of 1940” in the Prospectus. Interest will accrue on each Component on the basis of a 360-day year consisting of twelve 30-day months.

Interest distributable on the interest-bearing Components will be distributed from the related Available Distribution Amount on each Distribution Date. Accrued Certificate Interest not distributed on the Distribution Date related to the Accrual Period in which it accrued, other than any Net Prepayment Interest Shortfalls, will be an “Interest Shortfall.” Interest will not accrue on Interest Shortfalls.

The interest portion of any Excess Loss and any Relief Act Reduction will be allocated among the interest bearing Components of the related Certificate Group and the Subordinate Certificates proportionately based on (1) in the case of the Components, the Accrued Certificate Interest otherwise distributable thereon, and (2) in the case of the Subordinate Certificates, interest accrued on their related Apportioned Principal Balances (as defined herein), without regard to any reduction pursuant to this paragraph, for that Distribution Date.

- The “Interest Rate” for each Class of Non-APO Senior Certificates will be the applicable annual rate specified in the table on page S-2 hereof.
- The “Net Rate” of any Assistance Loan is its interest rate (the “Loan Rate”) less the Servicing Fee Rate (as defined herein).
- The “Certificate Principal Amount” of any Certificate other than a Class A1, Class A2, Class A3 or Class APO Certificate as of any Distribution Date will equal its Certificate Principal Amount as of the Closing Date as reduced by all amounts previously distributed on that Certificate in respect of principal and the principal portion of any Realized Losses (as defined herein) previously allocated to that Certificate. The “Certificate Principal Amount” of any Class A1, Class A2, Class A3 and Class APO Certificate as of any Distribution Date will equal the sum of the Component Principal Amounts of the related Components. The Certificate Principal Amount of a Class of Subordinate Certificates may be additionally reduced by allocation of any Subordinate Certificate Writedown Amounts.
- The “Component Principal Amount” of each of the A1(A), A1(B), A2(1), A2(2), A3(1), A3(2), A3(3), APO(1), APO(2) and APO(3) Components as of any Distribution Date will equal its Component Principal Amount as of the Closing Date (as described under “—General” above) as reduced by all amounts previously distributed with respect to that Component in respect of principal and the principal portion of any Realized Losses previously allocated to that Component.
- The “Notional Amount” of each Interest-Only Certificate as of any Distribution Date will equal that Certificate’s Percentage Interest of the Class Notional Amount of the related Class for that date. The Class Notional Amounts for the Interest-Only Certificates will be the sum of the Component Notional Amounts of the related Components.
  - The “Component Notional Amount” of each Component of the Class AIO Certificates for any Distribution Date will be equal to the product of (1) a fraction, the numerator of which is the

weighted average of the Net Rates of the Non-Discount Assistance Loans (as defined herein) in the related Loan Pool at the beginning of the related Collection Period minus 3.45%, and the denominator of which is 3.45% and (2) the total Principal Balance of the Non-Discount Assistance Loans in the related Loan Pool as of the first day of the related Accrual Period.

- The “Accrual Period” for each Class of Certificates will be the calendar month immediately preceding the month in which the related Distribution Date occurs.
- The “Net Simple Interest Shortfall” for any Distribution Date will be equal to, the excess, if any, of (1) the interest that would have accrued on the Simple Interest Loans for the related Accrual Period if each such loan (a) bore interest at a rate equal to the weighted average of the Net Rates of the Assistance Loans, weighted on the basis of their respective principal balances, as determined by the Servicer, on the first day of the related Accrual Period, and assuming that interest allocable to each Accrual Period were computed using a 30/360 day count convention, over (2) the amount of Monthly Payments received by the Servicer, and, if applicable, amounts withdrawn from the Simple Interest Reserve Fund or advanced by the Servicer, in the related Collection Period allocable to interest in respect of such Simple Interest Loans, net of the related servicing fees.
- The “Net Simple Interest Excess” for any Distribution Date will be the excess, if any, of the amount described in clause (2) of the preceding definition over the amount described in clause (1) of the preceding definition. For this purpose, the amount of interest received in respect of the Simple Interest Loans in any month shall be deemed (a) to include any advances of interest made by the Servicer in such month in respect of such Simple Interest Loans, (b) to be reduced by any amounts paid to the Servicer in such month in reimbursement of advances previously made by the Servicer in respect of such Simple Interest Loans (including Simple Interest Loans that, at the time of reimbursement, are no longer part of the Trust Fund) and (c) to include any withdrawals from the Simple Interest Reserve Fund.

When a principal prepayment in full is made on an Assistance Loan, the borrower is charged interest only to the date of such prepayment, instead of for a full month, with a resulting reduction in interest payable for the month during which the prepayment is made. Full or partial prepayments (or proceeds of other liquidations) received in the applicable Collection Period (as defined herein) will be distributed to Certificateholders on the Distribution Date following the applicable Collection Period. To the extent that, as a result of a full or partial prepayment, a borrower is not required to pay a full month’s interest on the amount prepaid, a shortfall in the amount available to make distributions of one month’s interest on the related Certificates could result. The amount by which one month’s interest at the Net Rate on an Assistance Loan as to which a voluntary prepayment has been made exceeds the amount of interest actually received in connection with such prepayment is a “Prepayment Interest Shortfall.” With respect to prepayments in full or in part, the Servicer (as defined herein) is obligated to reduce the total of its Servicing Fees (as defined herein) for the related Distribution Date to fund any resulting Prepayment Interest Shortfalls. See “Servicing of the Assistance Loans—Prepayment Interest Shortfalls” herein. Any Prepayment Interest Shortfalls not funded by the Servicer (“Net Prepayment Interest Shortfalls”) will be allocated among the Components of the Senior Certificates of the related Certificate Group and the Subordinate Certificates proportionately based on (1) in the case of such Components, the Accrued Certificate Interest otherwise distributable thereon, and (2) in the case of the Subordinate Certificates, interest accrued on their related Apportioned Principal Balances.

In order to provide limited protection to Certificateholders against any Net Simple Interest Shortfalls, a reserve fund will be established by the Depositor (the “Simple Interest Reserve Fund”). The Simple Interest Reserve Fund will not be funded on the Closing Date. The Simple Interest Reserve Fund will not be an asset of any FASIT described herein. Any Net Simple Interest Excess for any Distribution Date will be deposited into the Simple Interest Reserve Fund. An amount equal to any Net Simple Interest Shortfall for any Distribution Date will be withdrawn from the Simple Interest Reserve Fund for distribution to holders of the Certificates as described herein. In the event that amounts on deposit in the Simple Interest Reserve Fund are insufficient to cover any Net Simple Interest Shortfall for any Distribution Date, the Servicer will make an advance equal to the amount of such insufficiency. Any such advance by the Servicer will be reimbursed from any Net Simple Interest Excess for subsequent Distribution Dates.

Lehman Brothers Inc. will be treated as the owner of the Simple Interest Reserve Fund for tax purposes and will direct the Trustee with respect to investment of funds on deposit in the Simple Interest Reserve Fund and will be entitled to all investment earnings and bear all investment losses on investments made with funds on deposit therein.

The Class APO Certificates are principal-only Certificates; no interest will accrue or be distributable on these Certificates.

### **Distributions of Principal**

Distributions of principal on the Certificates (other than the Interest-Only Certificates) and the Components of each Certificate Group will be made on each Distribution Date to the extent of amounts available to make those payments in accordance with the priorities set forth under “—Priority of Distributions” above. The “Principal Distribution Amount” for any Distribution Date and any Certificate Group will equal the sum of (x) the Senior Principal Distribution Amount, (y) the Subordinate Principal Distribution Amount and (z) the APO Principal Distribution Amount for such Certificate Group and for such date.

- The “Senior Principal Distribution Amount” for each Certificate Group on each Distribution Date is equal to the sum of:
  - (1) the product of (i) the related Senior Percentage and (ii) the principal portion (multiplied by the related Non-APO Percentage) of each Monthly Payment received (without giving effect to any Debt Service Reduction occurring prior to the Bankruptcy Coverage Termination Date (each as defined herein)) on each Assistance Loan in the related Loan Pool during the related Collection Period; and
  - (2) the product of (a) the related Senior Prepayment Percentage and (b) each of the following amounts (multiplied by the related Non-APO Percentage): (i) the principal portion of each full and partial principal prepayment made by a borrower on an Assistance Loan in the related Loan Pool during the related Collection Period, (ii) each other collection, including Insurance Proceeds and net Liquidation Proceeds (other than with respect to any Assistance Loan in the related Loan Pool that was finally liquidated during the related Collection Period), representing or allocable to recoveries of principal of related Assistance Loans received during the related Collection Period and (iii) the principal portion of all proceeds of the purchase (or, in the case of a permitted substitution, amounts representing a principal adjustment) of any Assistance Loan in the related Loan Pool actually received by the Trustee during the related Collection Period; and
  - (3) with respect to recoveries allocable to principal of any Assistance Loan in the related Loan Pool that was finally liquidated during the related Collection Period, the lesser of (a) the related net Liquidation Proceeds allocable to principal (multiplied by the related Non-APO Percentage) and (b) the product of the related Senior Prepayment Percentage for that date and the remaining Principal Balance (multiplied by the related Non-APO Percentage) of such related Assistance Loan at the time of liquidation.

On the Credit Support Depletion Date, the Senior Principal Distribution Amount will be increased by any Subordinate Principal Distribution Amount remaining after distributions of principal have been made on the Subordinate Certificates. After the Credit Support Depletion Date, the Senior Principal Distribution Amount will be calculated based on the assumption that the Senior Percentage is equal to 100%.

- The “Non-APO Percentage” with respect to any Assistance Loan in any Loan Pool with a Net Rate less than the Designated Rate (each such Assistance Loan, a “Discount Assistance Loan”) will be the percentage equivalent of a fraction, the numerator of which is the applicable Net Rate and the denominator of which is the Designated Rate. The Non-APO Percentage with respect to any Assistance Loan in any Loan Pool with a Net Rate equal to or greater than the Designated Rate (each such Assistance Loan, a “Non-Discount Assistance Loan”) will be 100%.
- The “APO Percentage” with respect to any Discount Assistance Loan in any Loan Pool will be the percentage equivalent of a fraction, the numerator of which is the Designated Rate minus the applicable

Net Rate, and the denominator of which is the Designated Rate. The APO Percentage with respect to any Non-Discount Assistance Loan in any Loan Pool will be zero.

- The “Designated Rate” for each Loan Pool is 3.45%.
- The “Principal Balance” of any Assistance Loan as of any date of determination is equal to its unpaid principal balance as of January 31, 2002 (the “Cut-off Date”), reduced by the principal portion of all Monthly Payments received in any Collection Period prior to such date of determination.
- The “Senior Percentage” for each Loan Pool for any Distribution Date is the percentage equivalent of a fraction, the numerator of which is the sum of the related Component Principal Amounts of the Senior Certificates (other than any Class APO Certificates) for the related Loan Pool immediately prior to that date and the denominator of which is the related Non-APO Pool Balance for the immediately preceding Distribution Date.
- The “Non-APO Pool Balance” for each Loan Pool for any Distribution Date is the sum of the related Non-APO Percentage of the Principal Balance of each Assistance Loan included in such Loan Pool for that Distribution Date.
  - The “Senior Prepayment Percentage” for each Loan Pool for any Distribution Date occurring during the five years beginning on the first Distribution Date will equal 100%. Thereafter, the Senior Prepayment Percentage for each Loan Pool will, except as described below, be subject to gradual reduction as described in the following paragraph. This disproportionate allocation of certain payments in respect of principal will have the effect of accelerating the amortization of the Components of the Senior Certificates (other than the Class APO Certificates) in the related Certificate Group, while, in the absence of Realized Losses, increasing the relative percentage interest in the Loan Pool evidenced by the Subordinate Certificates. Increasing the proportionate interest of the Subordinate Certificates relative to that of the Senior Certificates and Components is intended to preserve the limited protection provided to the Senior Certificates and Components by the subordination of the Subordinate Certificates.
  - The Senior Prepayment Percentage for each Loan Pool for any Distribution Date occurring on or after the fifth anniversary of the first Distribution Date will be as follows: for any Distribution Date in the first year thereafter, the related Senior Percentage plus 70% of the related Subordinate Percentage for that Distribution Date; for any Distribution Date in the second year thereafter, the related Senior Percentage plus 60% of the related Subordinate Percentage for that Distribution Date; for any Distribution Date in the third year thereafter, the related Senior Percentage plus 40% of the related Subordinate Percentage for that Distribution Date; for any Distribution Date in the fourth year thereafter, the related Senior Percentage plus 20% of the related Subordinate Percentage for that Distribution Date; and for any subsequent Distribution Date, the related Senior Percentage for that Distribution Date (unless on any of the foregoing Distribution Dates the Senior Percentage for any Loan Pool exceeds the initial Senior Percentage for that Loan Pool, in which case the Senior Prepayment Percentage for each Loan Pool for that Distribution Date will once again equal 100%). Notwithstanding the foregoing, no decrease in the Senior Prepayment Percentage for any Loan Pool below the level in effect for the most recent prior period specified above will be effective if, as of that Distribution Date as to which any such decrease applies, (1) the average outstanding principal balance on that Distribution Date and for the preceding five Distribution Dates of all Assistance Loans in the related Loan Pool that were delinquent 60 days or more (including for this purpose any Assistance Loans in foreclosure and Assistance Loans with respect to which the related collateral has been acquired by the Trust Fund) is greater than or equal to 50% of the applicable Group Subordinate Amount (as defined herein) immediately prior to such Distribution Date or (2) cumulative Realized Losses with respect to the Assistance Loans in the related Loan Pool exceed (a) with respect to the Distribution Date on the fifth anniversary of the first Distribution Date, 30% of the related Group Subordinate Amount as of the Cut-off Date (the “Original Group Subordinate Amount” with respect to such Loan Pool), (b) with respect to the Distribution Date on the sixth anniversary of the first Distribution Date, 35% of the related Original Group Subordinate Amount, (c) with respect to the Distribution Date on the seventh



anniversary of the first Distribution Date, 40% of the related Original Group Subordinate Amount, (d) with respect to the Distribution Date on the eighth anniversary of the first Distribution Date, 45% of the related Original Group Subordinate Amount and (e) with respect to the Distribution Date on the ninth anniversary of the first Distribution Date, 50% of the related Original Group Subordinate Amount. After the Class Principal Amount of each Class of Senior Certificates and the Component Principal Amount of the related Component in any Certificate Group has been reduced to zero, the Senior Prepayment Percentage for the related Loan Pool will be zero.

- The “APO Principal Distribution Amount” for each Certificate Group and each Distribution Date is equal to the sum of:

(1) the related APO Percentage of the principal portion of each Monthly Payment received by the Servicer (without giving effect to any Debt Service Reduction occurring prior to the Bankruptcy Coverage Termination Date) on each Assistance Loan in the related Loan Pool during the related Collection Period;

(2) the related APO Percentage of each of the following amounts: (a) the principal portion of each full and partial principal prepayment made by a borrower on an Assistance Loan in the related Loan Pool during the related Collection Period, (b) each other collection, including Insurance Proceeds and net Liquidation Proceeds (other than with respect to any Assistance Loan in the related Loan Pool that was finally liquidated during the related Collection Period), representing or allocable to recoveries of principal of related Assistance Loans received during the related Collection Period and (c) the principal portion of all proceeds of the purchase (or, in the case of a permitted substitution, amounts representing a principal adjustment) of any Assistance Loan in the related Loan Pool actually received by the Trustee during the related Collection Period; and

(3) with respect to recoveries allocable to principal of any Assistance Loan in the related Loan Pool that was finally liquidated during the related Collection Period, the related APO Percentage of the related net Liquidation Proceeds allocable to principal.

- The “Subordinate Principal Distribution Amount” for each Loan Pool for each Distribution Date is equal to the sum of:

(1) the product of (a) the related Subordinate Percentage and (b) the principal portion (multiplied by the related Non-APO Percentage) of each Monthly Payment received by the Servicer (without giving effect to any Debt Service Reduction occurring prior to the Bankruptcy Coverage Termination Date) on each Assistance Loan in the related Loan Pool during the related Collection Period;

(2) the product of (a) the related Subordinate Prepayment Percentage and (b) each of the following amounts (multiplied by the related Non-APO Percentage): (i) the principal portion of each full and partial principal prepayment made by a borrower on an Assistance Loan in the related Loan Pool during the related Collection Period, (ii) each other collection, including Insurance Proceeds and net Liquidation Proceeds (other than with respect to any related Assistance Loan that was finally liquidated during the related Collection Period), representing or allocable to recoveries of principal of related Assistance Loans received during the related Collection Period and (iii) the principal portion of all proceeds of the purchase (or, in the case of a permitted substitution, amounts representing a principal adjustment) of any Assistance Loan in the related Loan Pool actually received by the Trustee during the related Collection Period; and

(3) with respect to recoveries allocable to principal of any Assistance Loan in the related Loan Pool that was finally liquidated during the related Collection Period, the related net Liquidation Proceeds allocable to principal (multiplied by the applicable Non-APO Percentage), to the extent not distributed pursuant to subsection (3) of the definition of Senior Principal Distribution Amount) for the related Certificate Group.

- The “Subordinate Class Percentage” for each Class of Subordinate Certificates for each Distribution Date is equal to the percentage obtained by dividing the Class Principal Amount of such Class immediately prior to such Distribution Date by the aggregate Certificate Principal Amounts of all Subordinate Certificates immediately prior to such date.

- The “Subordinate Prepayment Percentage” for each Loan Pool for any Distribution Date is the difference between 100% and the related Senior Prepayment Percentage for such date.
- The “Subordinate Percentage” for each Loan Pool for any Distribution Date is the difference between 100% and the Senior Percentage for that Loan Pool for such date.

The Class AIO Certificates are Interest-Only Certificates; no principal will be distributable thereon.

### **Limited Cross-Collateralization**

On the Distribution Date on which the Class Principal Amount of each Class of Subordinate Certificates has been reduced to zero (the “Credit Support Depletion Date”), if the total Certificate Principal Amount of the Non-APO Senior Certificates (or Component Principal Amount of the related Components) of a Certificate Group (after giving effect to distributions to be made on that Distribution Date) exceeds the Non-APO Pool Balance of the related Loan Pool (any such Group, an “Undercollateralized Group”), the Class Principal Amount of each such Class of Non-APO Senior Certificates (or Component Principal Amount of the related Components) in such Undercollateralized Group will be reduced, *pro rata*, by an amount equal to the amount of that excess. On any Distribution Date on or after the Credit Support Depletion Date, holders of Non-APO Senior Certificates whose principal amounts have been so reduced will be entitled to receive a deferred amount (such amount, the “Non-APO Senior Certificate Deferred Amount” for that Class or Component) to the extent that funds are available therefore as described below. No interest will accrue on Non-APO Senior Certificate Deferred Amounts.

On each Distribution Date on or after the Credit Support Depletion Date and on or after the Distribution Date on which the total Certificate Principal Amount of the Non-APO Senior Certificates (or Component Principal Amount of the related Components) of a Certificate Group is reduced to zero and Assistance Loans or other property remain in the related Loan Pool (each such Group, an “Overcollateralized Group”), under the limited circumstances provided in the Trust Agreement, amounts received by the Trustee in respect of such remaining Assistance Loans will be used to make distributions in respect of any Non-APO Senior Certificate Deferred Amounts for the remaining Certificate Groups, *pro rata*, in proportion to the amount of such Non-APO Senior Certificate Deferred Amounts. To the extent that funds are available therefore on any Distribution Date, distributions in respect of any Non-APO Senior Certificate Deferred Amounts will be made in accordance with priority (4) under “—Priority of Distributions” herein.

### **Available Distribution Amount**

The collection period (the “Collection Period”) related to each Distribution Date is the calendar month preceding the month in which that Distribution Date occurs. The “Servicer Remittance Date” is the 18th day (or if the 18th day is not a Business Day, the next succeeding Business Day) of the month in which the related Distribution Date occurs.

- The “Available Distribution Amount” for each Loan Pool on each Distribution Date, as more precisely provided in the Trust Agreement, will generally equal the sum of the following amounts:

(1) the total amount of all cash received by the Trustee from the Servicer on the Servicer Remittance Date immediately preceding such Distribution Date which includes (a) Monthly Payments received on the related Assistance Loans during the related Collection Period or advanced by the Servicer (or the Trustee), (b) payments allocable to principal on the related Assistance Loans (other than Liquidation Proceeds and Insurance Proceeds) to the extent received in advance of their due dates and applied to reduce the principal balances of those Assistance Loans (“Principal Prepayments”), together with accrued interest thereon, if any, identified as having been received on the related Assistance Loans during the applicable Collection Period, plus any amounts paid by the Servicer in respect of Prepayment Interest Shortfalls, in each case for such Distribution Date, (c) the proceeds of any repurchase of a related Assistance Loan required to be repurchased by the related Seller (as defined herein), the Depositor or any other party as a result of a breach of a representation or warranty or document defect and (d) recoveries through liquidation of any REO Property with respect to the related Assistance Loans, including Insurance Proceeds and Liquidation Proceeds, minus:

- (a) all Principal Prepayments on the related Assistance Loans received or identified after the applicable Collection Period (together with any interest payments, if any, received with such prepayments to the extent that they represent (in accordance with the Servicer's usual application of funds) the payment of interest accrued on the related Assistance Loans for the period subsequent to the Collection Period);
  - (b) Liquidation Proceeds and Insurance Proceeds received after the applicable Collection Period with respect to the related Assistance Loans;
  - (c) all fees and other amounts due or reimbursable to the Trustee or its custodian pursuant to the Trust Agreement or to the Servicer pursuant to the Servicing Agreement;
  - (d) Net Simple Interest Excess for such Distribution Date; and
- (2) any other payments made by the Servicer or any other party with respect to such Distribution Date.
- "Insurance Proceeds" means all proceeds (net of unreimbursed payments of property taxes, insurance premiums and similar items incurred, and unreimbursed Advances or servicing advances made by the Servicer (or the Trustee), if any) of applicable insurance policies, to the extent such proceeds are not applied to the restoration of the collateral or released to the borrower.
  - "Liquidation Proceeds" means all amounts (net of unreimbursed expenses incurred in connection with liquidation or foreclosure, unreimbursed Advances or servicing advances, if any) received and retained in connection with the liquidation of defaulted Assistance Loans, by foreclosure or otherwise, together with any net proceeds received on a monthly basis with respect to any properties acquired on behalf of the Certificateholders by foreclosure or deed in lieu of foreclosure.

### **The Ownership Certificate**

The holder of the Ownership Certificate will be entitled to receive, generally, (1) the amount, if any, of any Available Distribution Amount remaining in the FASIT on any Distribution Date after distributions of principal and interest are made on the regular interests on that date and (2) the proceeds, if any, of the assets of the Trust Fund remaining in the FASIT after the principal amounts of the regular interests have been reduced to zero. It is generally not anticipated that any material assets will be remaining for distributions at any such time.

### **Restrictions on Transfer of the Class APO and Class AIO Certificates**

The Class APO and Class AIO Certificates may not be transferred to a "disqualified holder" as described under "Material Federal Income Tax Considerations" in this prospectus supplement. In the event that the holder of a Class APO or Class AIO Certificate transfers that certificate to a disqualified holder, such holder will continue to be taxed on the income attributable to that certificate. See "Material Federal Income Tax Considerations" in this prospectus supplement for a detailed description of the transfer restrictions applicable to the Class APO and Class AIO Certificates.

### **Allocation of Realized Losses**

If a Realized Loss occurs on the Assistance Loans in any Loan Pool, then, on each Distribution Date, the applicable Non-APO Percentage of the principal portion of that Realized Loss other than an Excess Loss will be allocated first, to reduce the Class Principal Amount of each Class of Subordinate Certificates, in inverse order of priority, until the Class Principal Amount thereof has been reduced to zero (that is, such Realized Losses will be allocated to the Class B6 Certificates while those Certificates are outstanding, then to the Class B5 Certificates, and so forth) and second, to the Senior Certificates (other than the Class APO Certificates) and Components of the related Certificate Group, proportionately, on the basis of their respective Certificate Principal Amounts and Component Principal Amounts. Because the Class A2 Certificates comprise two Components—one Component in Group 1 and one Component in Group 2—a Class A2 Certificate could incur a loss with respect to the Assistance Loans in either Pool 1 or Pool 2. Because the Class A3 Certificates

comprise three Components—one Component in Group 1, one Component in Group 2 and one Component in Group 3—a Class A3 Certificate could incur a loss with respect to the Assistance Loans in Pool 1, Pool 2 or Pool 3. A Class A1 Certificate would incur a loss only from Pool 1 because each Component thereof relates only to Pool 1.

The APO Percentage of the principal portion of any Realized Loss on a Discount Assistance Loan in any Loan Pool will be allocated to and reduce the Component Principal Amount of the related Component of the Class APO Certificates until the Component Principal Amount thereof has been reduced to zero. With respect to any Distribution Date through the Credit Support Depletion Date, the total of all amounts so allocable to any such Component on that date in respect of Realized Losses (other than Excess Losses) on Assistance Loans in the related Loan Pool and all amounts previously allocated in respect of Realized Losses to that Component and not distributed on prior Distribution Dates will be the “Component Deferred Amount” for that Component. To the extent that funds are available therefor on any Distribution Date through the Credit Support Depletion Date, distributions in respect of any Component Deferred Amount will be made on the applicable Component in accordance with priority (5) under “—Priority of Distributions” herein. Any distribution in respect of a Component Deferred Amount will not reduce the Component Principal Amount of the related Component. No interest will accrue on any Component Deferred Amount. No distributions in respect of any Component Deferred Amount will be made after the Distribution Date on which the Component Principal Amount of the related Component has been reduced to zero. On each Distribution Date through the Credit Support Depletion Date, the Class Principal Amount of the lowest ranking Class of Subordinate Certificates will be reduced by the amount of any distributions in respect of any Component Deferred Amount on that Distribution Date. Any such reduction will be allocated in the same manner as a Realized Loss, as described above. After the Credit Support Depletion Date, no distributions will be made in respect of, and losses allocated to a Component of the Class APO Certificates will not be added, to any Component Deferred Amount.

The applicable Non-APO Percentage of the principal portion of any Excess Loss (other than a Debt Service Reduction) on an Assistance Loan in a Loan Pool for any Distribution Date will be allocated proportionately to the Non-APO Senior Certificates or Components of the related Certificate Group on the basis of their Class Principal Amounts or Component Principal Amounts, and to the Classes of Subordinate Certificates on the basis of their Apportioned Principal Balances. The applicable APO Percentage of the principal portion of any Excess Loss (other than a Debt Service Reduction) on an Assistance Loan in any Loan Pool for any Distribution Date will be allocated to the related Component of the Class APO Certificates.

The Class Principal Amount of the lowest ranking Class of Subordinate Certificates then outstanding will also be reduced by the amount, if any, by which the total Certificate Principal Amount of all the Certificates on any Distribution Date (after giving effect to distributions of principal and allocation of Realized Losses on that date) exceeds the total Principal Balance of the Assistance Loans for the related Distribution Date (any such reduction, a “Subordinate Certificate Writedown Amount”).

- The “Apportioned Principal Balance” of any Class of Subordinate Certificates with respect to each Loan Pool for any Distribution Date will equal the Class Principal Amount of that Class immediately prior to that Distribution Date multiplied by a fraction, the numerator of which is the applicable Group Subordinate Amount for that date and the denominator of which is the sum of the Group Subordinate Amounts for that date.
- The “Group Subordinate Amount” with respect to each Loan Pool and any Distribution Date is the excess of the Non-APO Pool Balance for the immediately preceding Distribution Date for that Loan Pool over the total Certificate Principal Amount of the Non-APO Senior Certificates (or the Component Principal Amount of the related Components) of the related Certificate Group immediately prior to that Distribution Date.
- In general, a “Realized Loss” is (1) with respect to a Liquidated Assistance Loan, the amount by which the remaining unpaid principal balance of that Assistance Loan plus all accrued and unpaid interest thereon and any related expenses exceeds the amount of Liquidation Proceeds applied to the principal balance of that Assistance Loan, or (2) the amount by which, in the event of bankruptcy of a borrower, a bankruptcy court reduces the secured debt to the value of the related Mortgaged Property (a

“Deficient Valuation”). In determining whether a Realized Loss is a loss of principal or of interest, Liquidation Proceeds and other recoveries on an Assistance Loan will be applied first to outstanding expenses incurred with respect to such Assistance Loan, then to accrued, unpaid interest, and finally to principal.

- “Bankruptcy Losses” are losses that are incurred as a result of Deficient Valuations and any reduction, in a bankruptcy proceeding, of the amount of the Monthly Payment on an Assistance Loan other than as a result of a Deficient Valuation (a “Debt Service Reduction”). The principal portion of Debt Service Reductions will not be allocated in reduction of the Certificate Principal Amounts of any Certificates.
- “Special Hazard Losses” are, in general terms, Realized Losses arising out of certain direct physical loss or damage to Mortgaged Properties that are not covered by a standard hazard insurance policy, but excluding, among other things, faulty design or workmanship and normal wear and tear.
- “Fraud Losses” are losses sustained on a Liquidated Assistance Loan by reason of a default arising from fraud, dishonesty or misrepresentation.
- A “Liquidated Assistance Loan” generally is a defaulted Assistance Loan as to which the Assistance Loan or related REO Property or other collateral has been disposed of and all amounts expected to be recovered in respect of that Assistance Loan have been received by the Servicer on behalf of the Trust Fund.

The principal portion of Special Hazard Losses, Bankruptcy Losses (other than Debt Service Reductions) and Fraud Losses on the Assistance Loans that exceed the “Special Hazard Loss Limit,” “Bankruptcy Loss Limit,” and “Fraud Loss Limit”, respectively (“Excess Losses”), will be allocated as described above. The “Special Hazard Loss Limit” will initially be approximately \$24,500,000; the “Bankruptcy Loss Limit” will initially be approximately \$372,522; and the “Fraud Loss Limit” will initially be approximately \$23,582,230.

The Bankruptcy Loss Limit will be reduced, from time to time, by the amount of Bankruptcy Losses allocated to the Certificates. The date on which the Bankruptcy Loss Limit has been reduced to zero is the “Bankruptcy Coverage Termination Date.”

The Fraud Loss Limit will be reduced, from time to time, by the amount of Fraud Losses allocated to the Certificates. In addition, on each anniversary of the Cut-off Date, the Fraud Loss Limit will be reduced as follows: (a) on the first anniversary of the Cut-off Date, to an amount equal to the lesser of (1) the Fraud Loss Limit as of the most recent anniversary of the Cut-off Date and (2) 3.00% of the aggregate Principal Balance of all the Assistance Loans as of the most recent anniversary of the Cut-off Date, (b) on the second anniversary of the Cut-off Date, to an amount equal to the lesser of (1) the Fraud Loss Limit as of the most recent anniversary of the Cut-off Date and (2) 2.00% of the aggregate Principal Balance of all the Assistance Loans as of the most recent anniversary of the Cut-off Date, (c) on the third and fourth anniversaries of the Cut-off Date, to an amount equal to the lesser of (1) the Fraud Loss Limit as of the most recent anniversary of the Cut-off Date and (2) 1.00% of the aggregate Principal Balance of all the Assistance Loans as of the most recent anniversary of the Cut-off Date and (d) on the fifth anniversary of the Cut-off Date, to zero.

In the event that any amount is recovered in respect of principal of a Liquidated Assistance Loan after any related Realized Loss has been allocated as described herein, such amount will be distributed to the Certificates still outstanding, proportionately, on the basis of any Realized Losses previously allocated thereto. It is generally not anticipated that any such amounts will be recovered.

## **Maturity Date**

The “Maturity Date” applicable to each Class of Offered Certificates is February 25, 2032.

## **Optional Termination of the Trust Fund**

On any Distribution Date after the date on which the total Principal Balance of the Assistance Loans (determined in the aggregate rather than by pool) is less than 5% of the Cut-off Date Balance of the

Assistance Loans (the “Initial Purchase Date”), the Servicer (subject to the terms of the Trust Agreement) will have the option to purchase the Assistance Loans, any REO Property and any other property remaining in the Trust Fund and thereby effect the termination of the Trust Fund and the retirement of the Certificates. If, on the Distribution Date immediately preceding the Maturity Date, any Offered Certificates remain outstanding, the Servicer will purchase the Assistance Loans and thereby effect the termination of the Trust Fund and the retirement of the Certificates. For so long as the Class A1 Certificates are outstanding, if the Servicer fails to exercise its right to purchase the Assistance Loans, Federal National Mortgage Association (“Fannie Mae”) will have the right to purchase the Assistance Loans in Pool 1 (pursuant to the terms of the Trust Agreement), provided it delivers to the Trustee an opinion of counsel satisfactory to the Trustee that the FASIT constituted by the Trust Fund (exclusive of the Simple Interest Reserve Fund) will not fail to qualify as a FASIT as a result of that purchase. The purchase price of the Assistance Loans, in any case, must be equal to the sum of (a) 100% of the total outstanding principal balance of the Assistance Loans, plus accrued interest thereon at the applicable Loan Rate, (b) the fair market value of all other property remaining in the Trust Fund and (c) any unreimbursed servicing advances (the “Purchase Price”). This purchase will be treated as a prepayment of the Assistance Loans for purposes of distributions to Certificateholders. Upon payment in full to Certificateholders of these amounts, the Trust Fund will be terminated.

### **The Trustee**

Wells Fargo Bank Minnesota National Association, a national banking association, will be the Trustee under the Trust Agreement (in such capacity, the “Trustee”). The Trustee will be entitled to retain, as its compensation, any investment earnings or other income earned on amounts on deposit in the Certificate Account pending distributions to Certificateholders. The Trustee will be entitled to reimbursement for certain expenses prior to distributions of any amounts to Certificateholders. The Trustee’s “Corporate Trust Office” for purposes of presentment and surrender of the Offered Certificates for the final distribution thereon is located at Wells Fargo Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0113, Attention: Corporate Trust Services: SASCO 2002-AL1, and is located for all other purposes at 11000 Broken Land Parkway, Columbia, Maryland 21044, Attention: Corporate Trust Services: SASCO 2002-AL1, or any other address that the Trustee may designate from time to time by notice to the Certificateholders and the Depositor.

## **Description of the Loan Pools**

### **General**

Whenever reference is made herein to a percentage of some or all of the Assistance Loans, that percentage is determined (unless otherwise specified) on the basis of the Principal Balance of the Assistance Loans as of the Cut-off Date (the “Cut-off Date Balance”).

The Loan Pools will primarily consist of approximately 25,112 fixed rate, fully-amortizing, first and junior lien disaster home loans and unsecured disaster assistance loans made by the United States Small Business Administration (the “Originator” or the “SBA”) to borrowers who have suffered significant physical property losses in connection with a federally-recognized disaster with original terms to maturity from the first due date of the monthly payment (a “Monthly Payment”) of not more than 48 years, having a Cut-off Date balance of approximately \$786,074,310.30.

The Assistance Loans were acquired from the SBA by either Lehman Capital, a Division of Lehman Brothers Holdings Inc. (“Lehman Capital”) or by Lehman Brothers Bank, FSB (“Lehman Bank” and together with Lehman Capital) (the “Sellers”). The Assistance Loans were originated generally in accordance with the SBA’s standard operating procedures described herein. See “The SBA’s Disaster Loan Program” below. The Assistance Loans to be included in the Trust Fund will be acquired by the Depositor from the Sellers. The Sellers will make only limited representations and warranties with respect to the Assistance Loans. See “The Trust Agreement—Assignment of Assistance Loans.”

Approximately 89.10% of the Assistance Loans are secured by first or junior mortgages, deeds of trust or other similar security instruments creating a security interest in real estate, all of which are referred to in this



Prospectus Supplement as mortgages (each, a “Mortgaged Property”). Approximately 4.45% of these mortgage loans are secured by mobile homes.

Approximately 87.54% of the Assistance Loans are secured by first or junior liens on residential real estate; approximately 1.56% of the Assistance Loans are secured by non-residential real estate; approximately 5.49% of the Assistance Loans are unsecured; and approximately 5.41% of the Assistance Loans are secured by Special Assessments (as defined below).

Approximately 59.74% of the Mortgage Loans (representing approximately 89.10% of the Assistance Loans) expected to be included in the trust fund on the Cut-off Date will be secured by deeds of trust or mortgages that are junior in priority to one or more senior liens on the related mortgaged property. As a result, the rights of the Trust Fund (and therefore the certificateholders) as beneficiary under a junior deed of trust or as mortgagee under a junior mortgage, are subordinate to those of the mortgagees or beneficiaries under the senior mortgages or deeds of trust, including prior rights of the senior mortgagees or beneficiaries to receive rents, hazard insurance and condemnation proceeds and to cause the property securing the Mortgage Loan to be sold upon default of the mortgagor or trustor, thereby extinguishing the junior mortgagee’s or junior beneficiary’s lien unless the servicer asserts the trust fund’s subordinate interest in the related mortgaged property in foreclosure litigation or the trust fund satisfies the defaulted senior loans. See “Legal Aspects of Loans — Junior Mortgages; Rights of Senior Mortgages” in the Prospectus.

Pursuant to its terms, each Mortgage Loan, other than a loan secured by a condominium unit, is required to be covered by a standard hazard insurance policy in an amount equal to the lower of the unpaid principal amount thereof or the replacement value of the improvements on the Mortgaged Property. Generally, a condominium association is responsible for maintaining hazard insurance covering the entire building. See “Description of Mortgage and Other Insurance—Hazard Insurance on the Loans—Standard Hazard Insurance Policies” in the Prospectus.

Approximately 11.72%, 32.43% and 29.93% of the Pool 1, Pool 2 and Pool 3 Mortgage Loans, respectively, have combined Loan-to-Value Ratios in excess of 80%. None of these are covered by primary mortgage guaranty insurance policies.

As of January 31, 2002, 53 of the Pool 1 Assistance Loans representing approximately 0.98% of such Pool 1 Assistance Loans, 163 of the Pool 2 Assistance Loans representing approximately 1.79% of such Pool 2 Assistance Loans and 404 of the Pool 3 Assistance Loans representing approximately 3.51% of such Pool 3 Assistance Loans, were one Monthly Payment delinquent. As of January 31, 2002, no Assistance Loan was two Monthly Payments delinquent.

If at the maturity date of the Assistance Loan, the final principal portion of a Monthly Payment is not sufficient to reduce the outstanding principal balance of the Assistance Loan to zero, a principal payment larger than the related Monthly Payment on the Assistance Loan may be due.

Approximately 0.27% of the Assistance Loans provide for payments on either a quarterly, semi-annual or annual basis rather than on a monthly basis. On each distribution date, the Servicer will be obligated to make an advance with respect to each of these Assistance Loans equal to the sum of such quarterly, semi-annual or annual payments for a full year divided by twelve. See “Servicing of the Assistance Loans—Advances.”

### **Methodology Used to Calculate Loan-to-Value Ratio**

The following methodology was used to calculate combined Loan-to-Value Ratio for all Mortgage Loans in the Trust Fund. Three calculations of combined loan-to-value ratio were used and the lowest (excluding a zero value) combined loan-to-value ratio was then selected as the combined Loan-to-Value Ratio used in this Prospectus Supplement.

The first formula used was the combined original loan-to-value ratio calculation. For first liens, the original balance of the Mortgage Loan was divided by the original appraisal value of the Mortgaged Property. For junior liens, the original balance of the Mortgage Loan was added to the sum of the original balances of all senior liens. This sum was then divided by the original appraisal value of the Mortgaged Property.

The second formula used was the combined current loan-to-value calculation. For first liens, the current balance of the Mortgage Loan was divided by the current appraisal value of the Mortgaged Property. For junior liens, the current balance of the Mortgage Loan was added to the sum of the current balances of all senior liens. This sum was then divided by the current appraisal value of the Mortgaged Property.

The third calculation used was the combined loan-to-value ratio provided by the SBA. In the case of each Mortgage Loan, the minimum of the three calculations was selected as the combined Loan-to-Value Ratio.

For purposes of analysis, Mortgage Loans with first liens were not allowed to have a combined Loan-to-Value Ratio greater than 100% and Mortgage Loans with junior liens were not allowed to have a combined Loan-to-Value Ratio greater than 150%.

The statistical information provided below with respect to the Assistance Loans is based on information provided by SBA and may in some cases be inaccurate or incomplete. Accordingly, all data in the following tables is necessarily approximate.

### **Simple Interest Loans**

The Assistance Loans accrue interest on a simple interest basis (“Simple Interest Loans”).

The amount of the loan is amortized over a series of equal monthly payments. Each monthly interest payment is calculated by multiplying the outstanding principal balance of the loan by the stated interest rate. The product is then multiplied by a fraction, the numerator of which is the number of days elapsed since the preceding payment of interest was made and the denominator of which is either 365 or 360, depending on applicable state law. Payments received on a Simple Interest Loan are applied first to interest accrued to the date payment is received and second to reduce the unpaid principal balance of the Simple Interest Loan. Accordingly, if a borrower makes a payment on their Simple Interest Loan less than 30 days after the previous payment, the amount of payment attributable to interest for the period since the preceding payment was made will be less than 30 days’ interest, and the amount of the payment attributable to principal in such month will be correspondingly greater. Conversely, if a borrower makes a payment on a Simple Interest Loan more than 30 days after the previous payment, the amount of the payment attributable to interest for the period since the preceding payment was made will be greater than 30 days’ interest, and the amount of the payment attributable to principal in such month will be correspondingly reduced. As a result, based on the payment performance of a particular borrower, the principal due on the final due date of a Simple Interest Loan may vary from the principal payment that would be due if payments on the Simple Interest Loan were made 30 days apart.

If a borrower pays more than one installment on a Simple Interest Loan at a time, the regular installment will be treated as described above. However, the entire amount of the additional installment will be treated as a receipt of one or more regular principal payments and applied to reduce the principal balance of the related loan. Although the borrower will not be required to make the next monthly installment, interest will continue to accrue on the principal balance of the Simple Interest Loan, as reduced by the application of the early installment. As a result, when the borrower pays the next required installment on the Simple Interest Loan, the installment so paid may be insufficient to cover the interest that has accrued since the last payment by the borrower. Notwithstanding this insufficiency, the related Simple Interest Loan would be considered to be current. This situation will continue until the installments are once again sufficient to cover all accrued interest and to reduce the principal balance of the Simple Interest Loan. Depending on the principal balance and Loan Rate of the Simple Interest Loans that pay early and on the number of installments that are paid early, there may be extended periods of time during which Simple Interest Loans that are not amortizing are nonetheless considered current.

### **Special Assessment Loans**

Approximately 13.37% of the Pool 2 Assistance Loans and approximately 1.46% of the Pool 3 Assistance Loans are secured by an assignment of certain rights of the borrowers, which are generally homeowners associations or condominium associations, to levy special assessments (“Special Assessments,” and these loans, “Special Assessment Loans”) on members of the association for the purpose of repaying the related

loan. Special Assessment Loans are not directly secured by any interest in real estate, although, depending upon applicable law, the borrower may have the right to foreclose on the property of a homeowner who does not pay Special Assessments when due or enforce other remedies against a defaulted homeowner.

In the event that a borrower defaults under a Special Assessment Loan, the Servicer may, on behalf of the Trustee, sell the Trust Fund's right to payment under the Special Assessments to a third party for a discounted cash payment, or may, depending upon the availability of remedies under applicable state law, exercise the rights of the borrower to compel payment of the Special Assessments by the related homeowners. In that case, the Trust Fund's right to compel payment by the homeowners may be subject to claims and defenses that the homeowners may have against the homeowners association or condominium association.

The Servicer will be required to take such actions as are necessary to maintain perfection of the Trustee's security interest in the Special Assessment collateral.

### **Pool 1 Assistance Loans**

The Pool 1 Assistance Loans are expected to have the following approximate aggregate characteristics as of the Cut-off Date. Prior to the issuance of the Certificates, Pool 1 Assistance Loans may be removed from the Trust Fund as a result of incomplete documentation or otherwise, if the Depositor deems such removal necessary or appropriate. In addition, a limited number of other Assistance Loans may be included in the Trust Fund (and in Pool 1) prior to the issuance of the Offered Certificates.

Number of Pool 1 Assistance Loans .....	5,347
Total Principal Balance .....	\$176,202,201
Loan Rates:	
Weighted Average .....	3.731%
Range .....	3.000% to 9.250%
Weighted Average Remaining Term to Maturity (in months) .....	238

The Principal Balances of the Pool 1 Assistance Loans range from approximately \$520 to approximately \$359,860. The Pool 1 Assistance Loans have an average Principal Balance of approximately \$32,953. All such Pool 1 Assistance Loans conform to the maximum original single-family residential mortgaged properties issued by Fannie Mae and are fully amortizing over their terms. All Pool 1 Assistance Loans are secured by single family residential mortgaged properties.

The weighted average combined Loan-to-Value Ratio of the Pool 1 Mortgage Loans is approximately 44.41% and no Pool 1 Mortgage Loan has a combined Loan-to-Value Ratio exceeding approximately 125%.

No more than approximately 6.21% of the Pool 1 Mortgage Loans are secured by Mortgaged Properties located in any one zip code area.

The following tables set forth as of the Cut-off Date the number, total Principal Balance and percentage of the Pool 1 Assistance Loans having the stated characteristics shown in the tables in each range. The sum of the amounts of the total Principal Balances and the percentages in the following tables may not equal the totals due to rounding.

### Combined Loan-to-Value Ratios\* — Pool 1

	<u>Range of Combined Loan-to-Value Ratios (%)</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
0.01 to 10.00	.....	758	\$ 19,404,073.26	11.01%
10.01 to 20.00	.....	715	24,534,196.23	13.92
20.01 to 30.00	.....	536	20,213,865.71	11.47
30.01 to 40.00	.....	510	20,154,353.37	11.44
40.01 to 50.00	.....	530	19,775,520.38	11.22
50.01 to 60.00	.....	538	17,863,509.87	10.14
60.01 to 70.00	.....	579	18,188,181.85	10.32
70.01 to 80.00	.....	522	15,420,012.11	8.75
80.01 to 90.00	.....	343	9,954,642.34	5.65
90.01 to 100.00	.....	194	6,188,769.83	3.51
100.01 to 110.00	.....	83	2,979,915.93	1.69
110.01 to 120.00	.....	31	1,099,715.07	0.62
120.01 to 125	.....	8	425,444.72	0.24
Total	.....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

\* For Mortgage Loans only.

The weighted average combined loan-to-value ratio for Mortgage Loans is approximately 44.41%.

### Loan Rates — Pool 1

	<u>Range of Loan Rates (%)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
2.501 to 3.000	.....	47	\$ 756,918.96	0.43%
3.501 to 4.000	.....	5,265	174,262,128.34	98.90
4.501 to 5.000	.....	2	34,484.58	0.02
5.501 to 6.000	.....	1	263,281.47	0.15
7.001 to 7.500	.....	22	566,458.85	0.32
7.501 to 8.000	.....	9	288,745.15	0.16
9.001 to 9.500	.....	1	30,183.32	0.02
Total	.....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

The weighted average loan rate is approximately 3.73%.

### Original Terms to Maturity — Pool 1

<u>Range of Original Terms to Maturities (months)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
73 to 96 .....	3	\$ 23,565.98	0.01%
97 to 120 .....	50	377,734.49	0.21
121 to 144 .....	90	1,481,750.28	0.84
145 to 168 .....	122	2,316,154.95	1.31
169 to 192 .....	211	4,172,426.26	2.37
193 to 216 .....	215	4,744,105.79	2.69
217 to 240 .....	223	5,527,254.21	3.14
241 to 264 .....	212	5,390,751.18	3.06
265 to 288 .....	235	6,742,688.11	3.83
289 to 312 .....	257	7,297,324.28	4.14
313 to 336 .....	376	12,567,298.72	7.13
337 to 360 .....	3,336	124,921,898.45	70.90
Greater than 360 .....	17	639,247.97	0.36
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

The weighted average original term to maturity is approximately 326 months.

### Remaining Terms to Maturity — Pool 1

<u>Range of Remaining Terms to Maturities (months)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
1 to 50 .....	119	\$ 1,415,796.72	0.80%
51 to 100 .....	345	6,806,877.31	3.86
101 to 150 .....	488	11,327,330.36	6.43
151 to 200 .....	456	13,064,614.51	7.41
201 to 250 .....	646	25,765,863.55	14.62
251 to 300 .....	3,259	116,193,821.43	65.94
301 to 350 .....	34	1,627,896.79	0.92
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

The weighted average remaining term to maturity is approximately 238 months.

### Geographic Distribution — Pool 1

<u>Geographic Distribution</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
California .....	5,347	\$176,202,200.67	100.00%
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

### Zip Codes\* — Pool 1

<u>Zip Code</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
91344 .....	342	\$ 10,937,645.25	6.21%
91326 .....	201	7,684,035.64	4.36
91311 .....	208	7,556,975.87	4.29
93063 .....	247	6,951,007.94	3.94
91325 .....	179	6,419,248.15	3.64
91343 .....	220	6,240,241.43	3.54
91367 .....	184	5,959,566.82	3.38
91324 .....	135	4,050,360.88	2.30
91342 .....	113	3,767,428.27	2.14
93065 .....	123	3,767,187.60	2.14
Other .....	3,395	112,868,502.82	64.06
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

\* For Mortgage Loans only.

### Cut-off Date Principal Balances — Pool 1

<u>Range of Principal Balances (\$)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
0.01 to 50,000.00 .....	4,601	\$111,536,549.05	63.30%
50,000.01 to 100,000.00 .....	558	37,066,664.14	21.04
100,000.01 to 150,000.00 .....	116	13,932,939.74	7.91
150,000.01 to 200,000.00 .....	54	9,465,625.69	5.37
200,000.01 to 250,000.00 .....	15	3,281,418.63	1.86
250,000.01 to 300,000.00 .....	2	559,143.14	0.32
350,000.01 to 400,000.00 .....	1	359,860.28	0.20
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

The average Cut-off Date Principal Balance is approximately \$32,953.

### Property Type — Pool 1

<u>Property Type</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Single Family .....	5,187	\$171,634,532.34	97.41%
Condominium .....	160	4,567,668.33	2.59
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>



### Loan Purpose — Pool 1

<u>Loan Purpose</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Repair/Replace Real Estate .....	5,086	\$167,877,766.91	95.28%
Repair/Replace Damaged Personal Property .....	97	2,492,849.06	1.41
Business Related .....	107	2,615,279.25	1.48
Other .....	57	3,216,305.45	1.83
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

### Credit Scores — Pool 1

<u>Range of Credit Scores</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Unknown .....	47	\$ 1,508,876.38	0.86%
451 to 500 .....	6	157,191.32	0.09
501 to 550 .....	48	1,355,065.15	0.77
551 to 600 .....	147	5,166,822.23	2.93
601 to 650 .....	296	9,384,205.72	5.33
651 to 700 .....	585	19,455,737.71	11.04
701 to 750 .....	1,236	42,167,014.51	23.93
751 to 800 .....	2,314	75,122,955.16	42.63
801 to 850 .....	668	21,884,332.49	12.42
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

The weighted average credit score is approximately 742.

### Lien Position\* — Pool 1

<u>Lien Position</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
First Lien .....	1,178	\$ 59,149,451.79	33.57%
Second Lien .....	3,350	95,638,189.01	54.28
Third Lien .....	819	21,414,559.87	12.15
Total .....	<u>5,347</u>	<u>\$176,202,200.67</u>	<u>100.00%</u>

\* For Mortgage Loans only.

## Junior Mortgage Ratio\* — Pool 1

<u>Junior Mortgage Ratio</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
0.01 to 10.00 .....	713	\$ 10,713,541.22	9.15%
10.01 to 20.00 .....	1,655	40,300,642.57	34.43
20.01 to 30.00 .....	783	26,631,279.44	22.75
30.01 to 40.00 .....	358	13,185,806.95	11.26
40.01 to 50.00 .....	239	9,137,371.04	7.81
50.01 to 60.00 .....	155	5,790,337.90	4.95
60.01 to 70.00 .....	103	4,643,899.35	3.97
70.01 to 80.00 .....	65	2,642,258.51	2.26
80.01 to 90.00 .....	46	1,912,514.51	1.63
90.01 to 100.00 .....	52	2,095,097.39	1.79
Total .....	<u>4,169</u>	<u>\$117,052,748.88</u>	<u>100.00%</u>

\* For Junior Lien Mortgage Loans only.

The weighted average junior mortgage ratio is approximately 28.94%.

### Pool 2 Assistance Loans

The Pool 2 Assistance Loans are expected to have the following approximate aggregate characteristics as of the Cut-off Date. Prior to the issuance of the Certificates, Pool 2 Assistance Loans may be removed from the Trust Fund as a result of incomplete documentation or otherwise, if the Depositor deems such removal necessary or appropriate. In addition, a limited number of other Assistance Loans may be included in the Trust Fund (and in Pool 2) prior to the issuance of the Offered Certificates.

Number of Pool 2 Assistance Loans .....	7,980
Total Principal Balance .....	\$281,975,460
Loan Rates:	
Weighted Average .....	3.782%
Range .....	0.000% to 12.000%
Weighted Average Remaining Term to Maturity (in months) .....	236

The Principal Balances of the Pool 2 Assistance Loans range from approximately \$148 to approximately \$1,311,831. The Pool 2 Assistance Loans have an average Principal Balance of approximately \$35,335.

The weighted average combined Loan-to-Value Ratio of the Pool 2 Mortgage Loans is approximately 65.41%, and no Pool 2 Mortgage Loan has a combined Loan-to-Value Ratio exceeding approximately 150%.

No more than approximately 5.95% of the Pool 2 Mortgage Loans are secured by Mortgaged Properties located in any one zip code area. No more than approximately 18.05% of the Pool 2 Assistance Loans are secured by Special Assessment Loans located in any one zip code area.

Approximately 13.37% of the Pool 2 Assistance Loans are secured by Special Assessments; approximately 6.29% of the Pool 2 Assistance Loans are unsecured and approximately 0.53% of the Pool 2 Assistance Loans are secured by non-residential real estate.

The following tables set forth as of the Cut-off Date the number, total Principal Balance and percentage of the Pool 2 Assistance Loans having the stated characteristics shown in the tables in each range. The sum of the amounts of the total Principal Balances and the percentages in the following tables may not equal the totals due to rounding.

## Combined Loan-to-Value Ratios\* — Pool 2

<u>Range of Combined Loan-to-Value Ratios (%)</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
Unknown .....	197	\$ 8,108,538.88	3.58%
0.01 to 10.00 .....	746	9,746,799.80	4.30
10.01 to 20.00 .....	581	13,142,460.27	5.80
20.01 to 30.00 .....	491	15,012,388.09	6.63
30.01 to 40.00 .....	501	15,452,249.08	6.82
40.01 to 50.00 .....	537	18,939,812.59	8.36
50.01 to 60.00 .....	617	22,358,138.82	9.87
60.01 to 70.00 .....	717	23,993,593.06	10.59
70.01 to 80.00 .....	827	26,303,800.35	11.61
80.01 to 90.00 .....	708	24,413,127.97	10.78
90.01 to 100.00 .....	440	19,676,162.34	8.69
100.01 to 110.00 .....	199	8,945,184.22	3.95
110.01 to 120.00 .....	118	8,545,238.67	3.77
120.01 to 130.00 .....	59	3,966,505.25	1.75
130.01 to 140.00 .....	29	2,254,820.01	1.00
140.01 to 150.00 .....	61	5,672,929.11	2.50
Total .....	<u>6,828</u>	<u>\$226,531,748.51</u>	<u>100.00%</u>

\* For Mortgage Loans only.

The weighted average combined loan-to-value ratio for Mortgage Loans is approximately 65.41%.

## Loan Rates — Pool 2

<u>Range of Loan Rates (%)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Less than 0.001 .....	1	\$ 283,738.29	0.10%
0.001 to 0.500 .....	1	50,393.63	0.02
1.501 to 2.000 .....	1	1,178,661.03	0.42
2.501 to 3.000 .....	56	566,822.58	0.20
3.501 to 4.000 .....	7,850	277,379,387.64	98.37
4.501 to 5.000 .....	1	40,499.40	0.01
5.501 to 6.000 .....	1	13,947.30	0.00
6.501 to 7.000 .....	4	224,442.02	0.08
7.001 to 7.500 .....	46	1,745,419.27	0.62
7.501 to 8.000 .....	18	483,640.46	0.17
11.501 to 12.000 .....	1	8,507.91	0.00
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

The weighted average loan rate is approximately 3.78% per annum.

## Original Terms to Maturity — Pool 2

<u>Range of Original Terms to Maturities (months)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
49 to 72 .....	8	\$ 36,983.18	0.01%
73 to 96 .....	48	301,679.60	0.11
97 to 120 .....	638	3,636,310.77	1.29
121 to 144 .....	573	5,410,257.86	1.92
145 to 168 .....	473	5,395,559.66	1.91
169 to 192 .....	506	8,843,875.43	3.14
193 to 216 .....	290	6,475,033.39	2.30
217 to 240 .....	347	7,643,206.85	2.71
241 to 264 .....	263	6,346,352.56	2.25
265 to 288 .....	304	10,121,357.23	3.59
289 to 312 .....	343	10,832,479.34	3.84
313 to 336 .....	509	25,582,893.08	9.07
337 to 360 .....	3,618	187,832,014.71	66.61
Greater than 360 .....	60	3,517,455.87	1.25
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

The weighted average original term to maturity is approximately 321 months.

## Remaining Terms to Maturity — Pool 2

<u>Range of Remaining Terms to Maturities (months)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Less than 1 .....	1	\$ 8,507.91	0.00%
1 to 50 .....	1,076	6,955,206.39	2.47
51 to 100 .....	1,109	15,588,728.75	5.53
101 to 150 .....	722	14,946,365.70	5.30
151 to 200 .....	560	15,998,045.46	5.67
201 to 250 .....	744	33,917,048.40	12.03
251 to 300 .....	3,700	190,123,802.42	67.43
301 to 350 .....	67	4,423,807.20	1.57
351 to 400 .....	1	13,947.30	0.00
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

The weighted average remaining term to maturity is approximately 236 months.

## Geographic Distribution — Pool 2

<u>Geographic Distribution</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
California .....	7,980	\$281,975,459.53	100.00%
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

## Zip Codes\* — Pool 2

<u>Zip Code</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
91344 .....	372	\$ 13,482,239.08	5.95%
91326 .....	285	11,790,211.92	5.20
91311 .....	267	11,620,918.38	5.13
91367 .....	238	8,730,814.14	3.85
91325 .....	185	8,522,730.60	3.76
91364 .....	186	8,215,366.90	3.63
91356 .....	148	7,258,154.08	3.20
93063 .....	215	6,262,703.93	2.76
91324 .....	173	5,052,007.18	2.23
91423 .....	104	3,809,691.98	1.68
Other .....	4,655	141,786,910.32	62.59
Total .....	<u>6,828</u>	<u>\$226,531,748.51</u>	<u>100.00%</u>

\* For Mortgage Loans only.

## Cut-off Date Principal Balances — Pool 2

<u>Range of Principal Balances (\$)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
0.01 to 50,000.00 .....	6,772	\$110,778,771.57	39.29%
50,000.01 to 100,000.00 .....	679	45,941,243.91	16.29
100,000.01 to 150,000.00 .....	209	25,913,840.29	9.19
150,000.01 to 200,000.00 .....	131	22,702,210.14	8.05
200,000.01 to 250,000.00 .....	49	10,857,302.88	3.85
250,000.01 to 300,000.00 .....	36	9,823,155.27	3.48
300,000.01 to 350,000.00 .....	35	11,500,585.50	4.08
350,000.01 to 400,000.00 .....	25	9,274,378.06	3.29
400,000.01 to 450,000.00 .....	10	4,234,009.49	1.50
450,000.01 to 500,000.00 .....	3	1,436,962.79	0.51
500,000.01 to 550,000.00 .....	1	525,754.42	0.19
550,000.01 to 600,000.00 .....	1	560,723.33	0.20
600,000.01 to 650,000.00 .....	3	1,893,768.04	0.67
750,000.01 to 800,000.00 .....	2	1,560,743.54	0.55
800,000.01 to 850,000.00 .....	1	831,312.88	0.29
850,000.01 to 900,000.00 .....	6	5,239,819.01	1.86
950,000.01 to 1,000,000.00 .....	2	1,920,220.37	0.68
1,000,000.01 to 1,250,000.00 .....	12	13,115,272.03	4.65
1,250,000.01 to 1,500,000.00 .....	3	3,865,386.01	1.37
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

The average Cut-off Date Principal Balance is approximately \$35,335.

## Property Type — Pool 2

<u>Property Type</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Single Family .....	6,496	\$218,841,266.97	77.61%
Condominium – Special Assessment .....	124	37,706,962.64	13.37
Unsecured .....	1,028	17,736,748.38	6.29
Condominium .....	279	5,107,721.28	1.81
Mobile Home .....	41	1,078,323.31	0.38
Unimproved Land .....	6	755,346.40	0.27
Mixed Use/Commercial .....	2	668,686.19	0.24
Multifamily .....	4	80,404.36	0.03
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

## Loan Purpose — Pool 2

<u>Loan Purpose</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Repair/Replace Real Estate .....	6,814	\$240,737,351.39	85.38%
Repair/Replace Damaged Personal Property .....	490	8,371,227.13	2.97
Business Related .....	502	17,096,968.15	6.06
Other .....	174	15,769,912.86	5.59
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

## Credit Scores — Pool 2

<u>Range of Credit Scores</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Unknown .....	226	\$ 41,313,087.34	14.65%
401 to 450 .....	1	42,049.58	0.01
451 to 500 .....	8	454,142.47	0.16
501 to 550 .....	97	2,821,627.50	1.00
551 to 600 .....	254	6,042,492.49	2.14
601 to 650 .....	483	17,408,187.35	6.17
651 to 700 .....	1,015	36,535,610.32	12.96
701 to 750 .....	1,980	68,139,788.17	24.17
751 to 800 .....	3,122	92,389,306.85	32.77
801 to 850 .....	794	16,829,167.46	5.97
Total .....	<u>7,980</u>	<u>\$281,975,459.53</u>	<u>100.00%</u>

The weighted average credit score is approximately 731.

## Lien Position\* — Pool 2

<u>Lien Position</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
First Lien .....	856	\$ 38,527,178.18	17.01%
Second Lien .....	4,203	134,601,261.27	59.42
Third Lien or greater .....	1,769	53,403,309.06	23.57
Total .....	<u>6,828</u>	<u>\$226,531,748.51</u>	<u>100.00%</u>

\* For Mortgage Loans only.

## Junior Mortgage Ratio\* — Pool 2

<u>Junior Mortgage Ratio</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
Unknown .....	219	\$ 11,704,782.21	6.23%
0.01 to 10.00 .....	2,589	35,192,611.19	18.72
10.01 to 20.00 .....	1,617	48,419,794.10	25.75
20.01 to 30.00 .....	650	27,619,420.15	14.69
30.01 to 40.00 .....	310	14,336,412.46	7.63
40.01 to 50.00 .....	180	11,159,518.94	5.94
50.01 to 60.00 .....	150	12,920,967.98	6.87
60.01 to 70.00 .....	96	8,935,906.89	4.75
70.01 to 80.00 .....	75	8,574,722.19	4.56
80.01 to 90.00 .....	59	5,994,217.93	3.19
90.01 to 100.00 .....	27	3,146,216.29	1.67
Total: .....	<u>5,972</u>	<u>\$188,004,570.33</u>	<u>100.00%</u>

\* For Junior Lien Mortgage Loans only.

The weighted average junior mortgage ratio is approximately 30.28%.



### Pool 3 Assistance Loans

The Pool 3 Assistance Loans are expected to have the following approximate aggregate characteristics as of the Cut-off Date. Prior to the issuance of the Certificates, Pool 3 Assistance Loans may be removed from the Trust Fund as a result of incomplete documentation or otherwise, if the Depositor deems such removal necessary or appropriate. In addition, a limited number of other Assistance Loans may be included in the Trust Fund (and in Pool 3) prior to the issuance of the Offered Certificates.

Number of Pool 3 Assistance Loans . . . . .	11,785
Total Principal Balance . . . . .	\$327,896,650
Loan Rates:	
Weighted Average . . . . .	3.930%
Range . . . . .	0.000% to 10.500%
Weighted Average Remaining Term to Maturity (in months) . . . .	232

The Principal Balances of the Pool 3 Assistance Loans range from approximately \$4 to approximately \$1,250,912. The Pool 3 Assistance Loans have an average Principal Balance of approximately \$27,823.

The weighted average combined Loan-to-Value Ratio of the Pool 3 Mortgage Loans is approximately 64.49%, and no Pool 3 Mortgage Loan has a combined Loan-to-Value Ratio exceeding approximately 150%.

No more than approximately 1.59% of the Pool 3 Mortgage Loans are secured by Mortgaged Properties located in any one zip code area.

Approximately 7.75% of the Pool 2 Assistance Loans are unsecured; approximately 3.29% of the Pool 3 Assistance Loans are secured by non-residential real estate; and approximately 1.46% of the Pool 3 Assistance Loans are secured by Special Assessments.

The following tables set forth as of the Cut-off Date the number, total Principal Balance and percentage of the Pool 3 Assistance Loans having the stated characteristics shown in the tables in each range. (The sum of the amounts of the total Principal Balances and the percentages in the following tables may not equal the totals due to rounding.)

### Combined Loan-to-Value Ratios\* — Pool 3

<u>Range of Combined Loan-to-Value Ratios (%)</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
Unknown .....	1,277	\$ 32,956,968.09	11.07%
0.01 to 10.00 .....	561	7,384,734.94	2.48
10.01 to 20.00 .....	987	19,392,073.78	6.51
20.01 to 30.00 .....	913	22,261,620.71	7.48
30.01 to 40.00 .....	842	24,699,576.03	8.30
40.01 to 50.00 .....	813	27,427,579.99	9.21
50.01 to 60.00 .....	747	25,787,280.90	8.66
60.01 to 70.00 .....	748	26,376,962.08	8.86
70.01 to 80.00 .....	647	22,305,514.91	7.49
80.01 to 90.00 .....	602	22,145,238.69	7.44
90.01 to 100.00 .....	887	38,721,781.76	13.01
100.01 to 110.00 .....	239	6,633,906.61	2.23
110.01 to 120.00 .....	158	5,301,543.24	1.78
120.01 to 130.00 .....	105	3,841,243.23	1.29
130.01 to 140.00 .....	79	4,396,487.41	1.48
140.01 to 150.00 .....	167	8,060,508.83	2.71
Total .....	<u>9,772</u>	<u>\$297,693,021.20</u>	<u>100.00%</u>

\* For Mortgage Loans only.

The weighted average combined loan-to-value ratio for Mortgage Loans is approximately 64.49%

### Loan Rates — Pool 3

<u>Range of Loan Rates (%)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
0.000 to 0.500 .....	3	\$ 685,986.42	0.21%
0.501 to 1.000 .....	26	110,327.57	0.03
2.501 to 3.000 .....	602	5,901,884.69	1.80
3.001 to 3.500 .....	39	1,117,382.41	0.34
3.501 to 4.000 .....	10,919	316,876,166.44	96.64
4.501 to 5.000 .....	88	746,314.32	0.23
5.501 to 6.000 .....	7	189,477.36	0.06
6.001 to 6.500 .....	1	125,901.15	0.04
6.501 to 7.000 .....	21	519,496.57	0.16
7.001 to 7.500 .....	12	200,096.87	0.06
7.501 to 8.000 .....	60	1,139,184.10	0.35
8.001 to 8.500 .....	4	213,880.22	0.07
9.001 to 9.500 .....	2	68,454.06	0.02
10.001 to 10.500 .....	1	2,097.92	0.00
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

The weighted average loan rate is approximately 3.93%.

### Original Terms to Maturity — Pool 3

<u>Range of Original Terms to Maturities (months)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
25 to 48 .....	4	\$ 12,643.31	0.00%
49 to 72 .....	61	281,642.09	0.09
73 to 96 .....	153	922,831.28	0.28
97 to 120 .....	365	4,198,621.87	1.28
121 to 144 .....	361	3,369,805.15	1.03
145 to 168 .....	405	5,044,131.07	1.54
169 to 192 .....	567	8,368,283.10	2.55
193 to 216 .....	399	6,618,182.34	2.02
217 to 240 .....	635	11,528,069.69	3.52
241 to 264 .....	399	9,108,849.03	2.78
265 to 288 .....	436	10,650,199.54	3.25
289 to 312 .....	718	17,996,943.20	5.49
313 to 336 .....	877	27,493,733.74	8.38
337 to 360 .....	6,164	214,824,214.67	65.52
Greater than 360 .....	241	7,478,500.02	2.28
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

The weighted average original term to maturity is approximately 323 months.

### Remaining Terms to Maturity — Pool 3

<u>Range of Remaining Maturities (months)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
1 to 50 .....	1,124	\$ 7,082,236.24	2.16%
51 to 100 .....	1,545	19,839,722.72	6.05
101 to 150 .....	1,291	24,863,179.10	7.58
151 to 200 .....	882	22,700,313.66	6.92
201 to 250 .....	2,415	75,889,901.34	23.14
251 to 300 .....	3,731	153,371,252.28	46.77
301 to 350 .....	796	24,147,946.84	7.36
351 to 400 .....	1	2,097.92	0.00
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

The weighted average remaining term to maturity is approximately 232 months.

### Geographic Distribution — Pool 3

<u>Geographic Distribution</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Alabama .....	377	\$ 11,763,401.96	3.59%
Alaska .....	9	179,985.86	0.05
Arizona .....	34	1,153,024.52	0.35
Arkansas .....	159	4,700,325.74	1.43
California .....	67	1,803,937.35	0.55
Colorado .....	42	1,281,111.55	0.39
Connecticut .....	59	1,501,980.18	0.46
Delaware .....	7	233,598.03	0.07
District of Columbia .....	2	110,564.78	0.03
Florida .....	1,987	62,369,977.11	19.02
Georgia .....	690	30,976,263.84	9.45
Hawaii .....	5	48,571.64	0.01
Idaho .....	35	1,079,664.15	0.33
Illinois .....	802	23,260,321.34	7.09
Indiana .....	163	4,680,395.20	1.43
Iowa .....	249	6,689,503.60	2.04
Kansas .....	186	4,915,288.08	1.50
Kentucky .....	281	7,216,506.27	2.20
Louisiana .....	710	11,712,325.41	3.57
Maine .....	75	1,353,504.94	0.41
Maryland .....	34	642,764.40	0.20
Massachusetts .....	218	3,396,709.89	1.04
Michigan .....	91	1,584,559.68	0.48
Minnesota .....	211	5,813,631.73	1.77
Mississippi .....	208	3,750,665.58	1.14
Missouri .....	460	12,671,445.09	3.86
Montana .....	11	300,021.17	0.09
Nebraska .....	36	447,382.00	0.14
Nevada .....	40	1,086,635.92	0.33
New Hampshire .....	9	134,842.84	0.04
New Jersey .....	186	3,669,251.64	1.12
New Mexico .....	7	341,458.44	0.10
New York .....	524	13,307,354.40	4.06
North Carolina .....	367	10,875,799.22	3.32
North Dakota .....	384	6,671,894.71	2.03
Ohio .....	190	4,360,649.32	1.33
Oklahoma .....	211	4,662,838.31	1.42
Oregon .....	169	8,147,212.58	2.48
Pennsylvania .....	334	7,542,722.28	2.30
Rhode Island .....	9	151,178.95	0.05
South Carolina .....	368	10,086,870.70	3.08
South Dakota .....	79	2,251,580.95	0.69
Tennessee .....	65	1,943,697.44	0.59
Texas .....	907	24,347,902.20	7.43
Utah .....	7	296,023.49	0.09
Vermont .....	10	184,311.80	0.06
Virginia .....	118	3,781,190.35	1.15
Washington .....	250	9,524,500.74	2.90
West Virginia .....	187	4,574,832.63	1.40
Wisconsin .....	99	1,728,439.25	0.53
Wyoming .....	2	40,645.63	0.01
Unknown .....	3	96,451.98	0.03
Guam .....	10	997,651.42	0.30
Puerto Rico .....	6	127,472.20	0.04
Virgin Islands .....	36	1,325,809.62	0.40
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

### Zip Codes\* — Pool 3

<u>Zip Code</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
31701 .....	120	\$ 4,736,655.27	1.59%
31763 .....	59	3,806,070.44	1.28
31015 .....	55	3,797,510.21	1.28
58201 .....	189	3,641,251.77	1.22
33157 .....	78	3,051,611.72	1.03
31707 .....	68	3,031,721.60	1.02
31705 .....	47	2,560,202.51	0.86
33177 .....	57	2,129,266.13	0.72
33187 .....	50	2,034,753.50	0.68
33032 .....	57	1,955,836.21	0.66
Other .....	8,992	266,948,141.84	89.67
Total .....	<u>9,772</u>	<u>\$297,693,021.20</u>	<u>100.00%</u>

\* For Mortgage Loans only.

### Cut-off Date Principal Balances — Pool 3

<u>Range of Principal Balances (\$)</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
0.01 to 50,000.00 .....	10,099	\$183,823,161.72	56.06%
50,000.01 to 100,000.00 .....	1,366	92,281,126.14	28.14
100,000.01 to 150,000.00 .....	210	25,185,294.06	7.68
150,000.01 to 200,000.00 .....	62	10,623,270.14	3.24
200,000.01 to 250,000.00 .....	23	5,002,200.60	1.53
250,000.01 to 300,000.00 .....	10	2,700,762.77	0.82
300,000.01 to 350,000.00 .....	5	1,555,092.84	0.47
350,000.01 to 400,000.00 .....	3	1,135,636.42	0.35
400,000.01 to 450,000.00 .....	1	406,851.54	0.12
500,000.01 to 550,000.00 .....	1	513,894.44	0.16
600,000.01 to 650,000.00 .....	1	612,032.43	0.19
850,000.01 to 900,000.00 .....	1	879,674.38	0.27
900,000.01 to 950,000.00 .....	1	942,420.99	0.29
950,000.01 to 1,000,000.00 .....	1	984,319.41	0.30
1,250,000.01 to 1,500,000.00 .....	1	1,250,912.22	0.38
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

The average Cut-off Date Principal Balance is approximately \$27,823.

### Property Type — Pool 3

<u>Property Type</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Single Family .....	8,095	\$250,763,890.04	76.48%
Mobile Home .....	1,295	30,118,293.40	9.19
Unsecured .....	1,991	25,407,259.28	7.75
Unimproved Land .....	119	5,986,786.87	1.83
Condominium .....	170	5,359,378.48	1.63
Mixed Use/Commercial .....	81	4,803,771.42	1.47
Condominium – Special Assessment .....	22	4,796,369.62	1.46
Cooperative .....	12	660,900.99	0.20
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

### Loan Purpose — Pool 3

<u>Loan Purpose</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Repair/Replace Real Estate .....	7,380	\$227,133,083.61	69.27%
Repair/Replace Damaged Personal Property .....	3,089	58,012,101.24	17.69
Business Related .....	874	23,813,841.30	7.26
Other .....	442	18,937,623.95	5.78
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

### Credit Scores — Pool 3

<u>Range of Credit Score</u>	<u>Number of Assistance Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Assistance Loans by Total Principal Balance</u>
Unknown .....	312	\$ 11,415,481.99	3.48%
401 to 450 .....	3	102,333.10	0.03
451 to 500 .....	79	1,964,125.53	0.60
501 to 550 .....	509	13,949,412.63	4.25
551 to 600 .....	865	21,927,493.06	6.69
601 to 650 .....	1,317	33,887,183.09	10.33
651 to 700 .....	2,058	55,045,996.03	16.79
701 to 750 .....	2,640	76,678,150.07	23.38
751 to 800 .....	3,342	96,661,481.65	29.48
801 to 850 .....	660	16,264,992.95	4.96
Total .....	<u>11,785</u>	<u>\$327,896,650.10</u>	<u>100.00%</u>

The weighted average credit score is approximately 707.

### Lien Position\* — Pool 3

<u>Lien Position</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
First Lien .....	5,395	\$184,339,830.91	61.92%
Second Lien .....	3,491	89,418,150.69	30.04
Third Lien or greater .....	886	23,935,039.60	8.04
Total .....	<u>9,772</u>	<u>\$297,693,021.20</u>	<u>100.00%</u>

\* For Mortgage Loans only.

### Junior Mortgage Ratio\* — Pool 3

<u>Junior Mortgage Ratio</u>	<u>Number of Mortgage Loans</u>	<u>Total Principal Balance</u>	<u>Percentage of Mortgage Loans by Total Principal Balance</u>
Unknown .....	619	\$ 20,621,053.36	18.19%
0.01 to 10.00 .....	407	3,202,123.76	2.82
10.01 to 20.00 .....	817	12,991,035.22	11.46
20.01 to 30.00 .....	787	15,407,491.74	13.59
30.01 to 40.00 .....	546	14,094,464.46	12.43
40.01 to 50.00 .....	375	10,636,315.92	9.38
50.01 to 60.00 .....	271	9,185,586.46	8.10
60.01 to 70.00 .....	208	8,918,179.36	7.87
70.01 to 80.00 .....	161	8,896,779.10	7.85
80.01 to 90.00 .....	126	6,048,639.16	5.34
90.01 to 100.00 .....	<u>60</u>	<u>3,351,521.75</u>	<u>2.96</u>
Total: .....	<u>4,377</u>	<u>\$113,353,190.29</u>	<u>100.00%</u>

\* For Junior Lien Mortgage Loans only.

The weighted average junior mortgage ratio is approximately 44.75%.



## **Certain Legal Aspects of Assistance Loans**

The following discussion contains general summaries of certain legal aspects of Assistance Loans secured by mobile homes or Special Assessments. Because these legal aspects are governed by applicable state law (which laws may differ substantially from state to state), the summaries do not purport to be complete or to reflect the laws of any particular state, or to encompass the laws of all states in which the security for such Assistance Loans is situated. The summaries are qualified in their entirety by reference to the applicable federal and state laws governing these Assistance Loans.

Assistance Loans secured by mobile homes differ from Mortgage Loans in certain material respects. Mobile homes generally decline in value over time, which may not necessarily be the case with respect to the Mortgaged Properties underlying Mortgage Loans. Consequently, the losses incurred upon repossession of or foreclosure on mobile homes securing Assistance Loans may be expected to be more severe in many cases than the losses that would be incurred upon foreclosure on Mortgaged Properties securing Mortgage Loans (in each case measured as a percentage of the outstanding principal balances of the related Assistance Loans). The servicing of loans secured by mobile homes is generally similar to the servicing of conventional residential mortgage loans, except that, in general, servicers of loans secured by mobile homes place greater emphasis on making prompt telephone contact with delinquent borrowers than is generally customary in the case of the servicing of conventional residential mortgage loans. Realization on defaulted Assistance Loans that are secured by mobile homes is generally accomplished through repossession and subsequent resale of the underlying mobile homes by or on behalf of the Servicer, whereas realization on defaulted Mortgage Loans is generally accomplished through foreclosure on the underlying Mortgaged Properties or similar proceedings.

### **Assistance Loans Secured by Mobile Homes**

As a result of the assignment of the Assistance Loans secured by mobile homes to the Trustee, the Trustee will succeed to all of the rights (including the right to receive payments on such Assistance Loans) of the obligee under such Assistance Loans. Each such Assistance Loan evidences both (1) the obligation of the obligor to repay the loan, and (2) the grant of a security interest in the related mobile home to secure repayment of the loan.

The Assistance Loans secured by mobile homes generally are “chattel paper” as defined in the Uniform Commercial Code (the “UCC”) in effect in the states in which the mobile homes initially were located. Pursuant to the UCC, the sale of chattel paper is treated in a manner similar to perfection of a security interest in chattel paper. The Custodian will take possession of the Assistance Loans secured by mobile homes as custodian for the Trustee. If the Custodian takes possession of the Assistance Loans secured by mobile homes on behalf of the Trustee without notice of the assignment of these Assistance Loans to any third party, the Trustee’s interest in such Assistance Loans will be perfected.

### **Assistance Loans Secured by Special Assessments**

The Assistance Loans secured by Special Assessments generally are “instruments” as defined in the UCC in effect in the states where the condominium associations or home owners associations to which those Special Assessments relate are located. Pursuant to the UCC, the sale of an instrument is treated in a manner similar to perfection of a security interest in an instrument. The Custodian will take possession of the Assistance Loans secured by Special Assessments as custodian for the Trustee. If the Custodian takes possession of the Assistance Loans secured by Special Assessments on behalf of the Trustee without notice of the assignment of these Assistance Loans to any third party, the Trustee’s interest in such Assistance Loans will be perfected.

## **The SBA’s Disaster Loan Program**

The following summary has been compiled from publicly available information. It has not been verified by SBA. None of the Depositor, the Sellers, the Trustee or the Underwriter makes any representation or warranty as to the accuracy or completeness of this information.

The purpose of the SBA's Disaster Loan Program is to offer financial assistance to individuals trying to rebuild their homes and businesses in the aftermath of a federally-recognized disaster. Since the inception of the program in 1953, the SBA has approved over 1.3 million disaster loans for over \$25 billion. The SBA's Disaster Loan Program is the primary form of federal assistance for nonfarm, private sector disaster losses. For this reason, the SBA Disaster Loan Program is the only form of SBA assistance not limited to small business. The SBA Disaster Loan Program is available to help homeowners, renters, businesses of all sizes and non-profit organizations fund rebuilding.

The SBA is authorized by the Small Business Act to make two types of disaster loans, physical disaster loans and economic injury disaster loans. Physical disaster loans are a primary source of funding for permanent rebuilding and replacement of uninsured disaster damages to privately-owned real and/or personal property. The SBA's physical disaster loans are available to homeowners, renters, nonfarm businesses of all sizes and nonprofit organizations. Economic injury disaster loans provide necessary working capital until normal operations resume after a physical disaster. The law restricts economic injury disaster loans to small businesses only. Substantially all of the Assistance Loans included in the Trust Fund are "Home Disaster Loans" which are loans to homeowners to repair or replace disaster damages to real estate or personal property owned by the victim.

Home Disaster Loans up to \$200,000 are available to repair or replace primary residences to their pre-disaster condition. Home Disaster Loans may not be used to upgrade a home or make additions to it. However, proceeds from a Home Disaster Loan may be used to make structural improvements required to meet city or county building codes and to mitigate against future disasters, as described below. Home Disaster Loans may also provide a homeowner with up to an additional \$40,000 to repair or replace certain personal property such as clothing, furniture and cars. In addition, homeowners may refinance an existing home loan under certain circumstances. Homeowners may apply for an additional 20 percent of the loan amount, up to \$48,000, to take pre-disaster mitigation measures such as constructing retaining walls, bulkheads, relocating utilities or other measures to protect against recurring damage. As described below, generally Home Disaster Loans can have (i) a term up to a maximum of 30 years, (ii) a maximum interest rate of 4 percent, (iii) a maximum loan amount of \$288,000 per disaster, excluding any refinancings, and (iv) are typically secured by a junior mortgage on a single-family residence.

The SBA only approves loans to applicants with a reasonable ability to repay the loan and other obligations from earnings. The SBA has the flexibility to structure the terms of each loan in accordance with each borrower's ability to repay. As required by law, the interest rate for each loan is based on the SBA's determination of whether each applicant does or does not have credit available elsewhere (based on the ability to borrow or use their own resources to overcome the disaster, and not a denial of credit from private lenders). Generally, more than 90% of the SBA's disaster loans are to borrowers without credit available elsewhere and have an interest rate of around 4.00%. For borrowers with credit available elsewhere, the interest rate set by the SBA is generally around 8.00%. The law authorizes loan terms up to a maximum of 30 years. The SBA determines the term of each loan in accordance with the borrower's ability to repay. Based on the financial circumstances (including income, expenses and size of family) of each borrower, the SBA determines an appropriate installment payment amount, which in turn determines the actual term. Generally, the first payment is not due until five months after the date of the loan.

The SBA requires borrowers to obtain and maintain appropriate hazard insurance. Borrowers of all secured loans must purchase and maintain full hazard insurance for the life of the loan. Borrowers whose property is located in a special flood hazard area must purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

The SBA can refinance all or part of existing mortgages evidenced by recorded liens when the applicant does not have available its own or non-government resources, has suffered substantial disaster damage (40 percent or more of the value of the property) and intends to repair the damage. The SBA believes the refinancing of prior debts improves the victim's ability to afford the Home Disaster Loan.

Generally, the SBA requires each applicant to complete an application that includes information with respect to the applicant's liabilities, income and employment history, as well as certain other personal information. The SBA generally requires a credit report on each applicant from a credit reporting company.

The report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and (to the extent reported) any record of payment defaults, bankruptcy, repossession suits or judgments. In most instances, the SBA reviews and verifies the applicant's sources of income, calculates the amount of income from all such sources indicated on the loan application, reviews the credit history of the applicant and calculates the debt-to-income ratio to determine the applicant's ability to repay the loan. An SBA loss verifier generally visits each applicant to determine the extent of the damage and the reasonableness of the loan request.

Home Disaster Loans are made for specific and designated purposes. The penalty for misusing disaster funds is immediate repayment of one and a half times the original amount of the loan. The SBA requires that borrowers obtain receipts and maintain good records of all loan expenditures as they restore damaged property and keep these receipts and records for three years.

Due to the unique circumstances surrounding the origination of the Assistance Loans, the prepayment, delinquency, foreclosure and bankruptcy characteristics of the Assistance Loans will be different from single family residential mortgage loans.

### **Additional Information**

The description in this Prospectus Supplement of the Loan Pools and the Mortgaged Properties is based upon the Loan Pools as constituted at the close of business on the Cut-off Date. A Current Report on Form 8-K will be filed, together with the Trust Agreement, with the Securities and Exchange Commission within fifteen days after the initial issuance of the Offered Certificates. In the event that Assistance Loans are removed from or added to the Loan Pools as described under "Description of the Loan Pools," such removal or addition, to the extent material, will be noted in the Current Report on Form 8-K.

### **The Servicer**

#### **General**

The Assistance Loans included in the Trust Fund will initially be serviced by Aurora Loan Services Inc. ("Aurora" or the "Servicer"). It is anticipated that the Assistance Loans may be subject to a servicing transfer at some time in the future. Any transfer of servicing will be subject to the approval of Fannie Mae (so long as it is the holder of the Class A1 Certificates). The Servicer will have primary responsibility for servicing the Assistance Loans including, but not limited to, all collection, advancing and loan-level reporting obligations, maintenance of escrow accounts, maintenance of insurance and enforcement of foreclosure proceedings with respect to the Assistance Loans and the related Mortgaged Properties and other collateral in accordance with the provisions of the servicing agreement (the "Servicing Agreement"). Under the Servicing Agreement, the Trustee has the authority to, and may be directed by Certificateholders to terminate the Servicer for certain events of default which indicate either the Servicer is not performing, or is unable to perform, its duties and obligations under the Servicing Agreement. The Trustee, with the consent of Fannie Mae (so long as it is the holder of the Class A1 Certificates) will appoint a successor servicer. In addition, under the Servicing Agreement, Lehman Capital and Lehman Bank have retained the right to terminate the Servicer, without cause, upon thirty days' notice and, with limited exceptions, the payment of certain termination fees and expenses of the Servicer in connection with the transfer of the Assistance Loans to a successor servicer. If Lehman Capital and Lehman Bank terminate the Servicer without cause, Lehman Capital and Lehman Bank will appoint a successor servicer acceptable to the Trustee and to Fannie Mae (so long as it is the holder of the Class A1 Certificates).

#### **Aurora**

The information in this section has been provided by Aurora, and none of the Depositor, the Trustee, the Sellers or the Underwriter makes any representation or warranty as to the accuracy or completeness of this information.

Aurora is an affiliate of Lehman Brothers Holdings Inc. engaged principally in the business of (1) originating, purchasing and selling residential mortgage loans in its own name and through its affiliates, (2) servicing residential mortgage loans for its own account, (3) master servicing residential mortgage loans for the account of its affiliates and (4) servicing and subservicing residential mortgage loans for the account of its affiliates and others.

Aurora is not experienced in servicing unsecured loans and loans secured by collateral other than real estate.

Aurora's executive offices and centralized real estate master servicing facility are located at 2530 South Parker Road, Suite 601, Aurora, Colorado 80014, and its centralized real estate loan servicing facility is located at 601 Fifth Avenue, Scottsbluff, Nebraska 69361. Aurora has been approved to service mortgage loans for Ginnie Mae, Fannie Mae and Freddie Mac.

As of December 31, 2001, Aurora's total loan servicing and subservicing portfolio included loans with total outstanding principal balance of approximately \$18.04 billion, of which the substantial majority are sub-serviced for Lehman Brothers Holdings Inc. and Lehman Brothers Bank, FSB. The following table sets forth certain information regarding the delinquency and foreclosure experience of Aurora and its predecessor, Harbourton Financial Services, L.P. ("Harbourton"), the servicing business which Aurora acquired in August 1997, with respect to mortgage loans other than mortgage loans guaranteed by the FHA or VA. The indicated periods of delinquency are based on the number of days past due on a contractual basis.

### Delinquencies and Foreclosures

(Dollars in Millions)

	As of December 31,				
	<u>1997(3)(4)</u>	<u>1998(5)</u>	<u>1999(5)</u>	<u>2000(5)</u>	<u>2001(5)</u>
Total balance of mortgage loans serviced . . . . .	\$ 1,203	\$ 6,096	\$ 3,870	\$ 4,598	\$10,490
Percentage of mortgage loans delinquent by period of delinquency(1)(2)					
30 to 59 days . . . . .	3.21%	3.21%	4.03%	4.30%	3.43%
60 to 89 days . . . . .	0.73%	0.92%	1.19%	1.10%	1.33%
90 days or more . . . . .	<u>0.28%</u>	<u>0.42%</u>	<u>0.30%</u>	<u>0.45%</u>	<u>1.23%</u>
Total percentage of mortgage loans delinquent(1)(2)	4.22%	4.55%	5.52%	5.85%	5.99%
In foreclosure (excluding bankruptcies) . . . . .	1.99%	2.10%	1.11%	1.10%	0.91%
In bankruptcy . . . . .	<u>0.78%</u>	<u>0.61%</u>	<u>1.15%</u>	<u>1.05%</u>	<u>0.67%</u>
Total(2) . . . . .	<u>6.99%</u>	<u>7.26%</u>	<u>7.78%</u>	<u>8.00%</u>	<u>7.57%</u>

(1) Total portfolio and delinquency information is for conventional loans only, excluding bankruptcies.

(2) Percentages are based on the principal balances of the mortgage loans.

(3) Excludes information related to the servicing of certain sub-prime loans acquired in 1997 and 1998.

(4) Prior to Aurora's acquisition of the business of Harbourton, Harbourton liquidated a substantial portion of its servicing portfolio, generally retaining loans with higher rates of delinquency.

(5) A weighted average of the MBS method for conventional loans and the ABS method for subprime loans is used in calculation of delinquency percentage. Under the MBS methodology, a loan is considered delinquent if any payment is past due one or more days. In contrast, under the ABS methodology, a loan is considered delinquent if any payment is past due 30 days or more. The period of delinquency is based upon the number of days that payments are contractually past due (assuming 30-day months). Consequently, under the ABS methodology, a loan due on the first day of a month is not 30 days delinquent until the first day of the next month.

The above delinquency and foreclosure statistics represent the recent experience of Aurora, and relate only to mortgage loans. The loans in Aurora's servicing portfolio may differ significantly from the Mortgage Loans, and do not include unsecured loans or loans secured by collateral other than real estate. The actual loss and delinquency experience on the Mortgage Loans will depend, among other things, on the value of the

Mortgaged Properties securing such Assistance Loans and the ability of borrowers to make required payments. There can be no assurance, and no representation is made, that the delinquency experience with respect to the Assistance Loans will be similar to that reflected in the tables above, nor is any representation made as to the rate at which losses may be experienced on liquidation of defaulted Assistance Loans.

The likelihood that borrowers will become delinquent in the payment of their Assistance Loans and the rate of any subsequent foreclosures may be affected by a number of factors related to borrowers' personal circumstances, including, for example, unemployment or change in employment (or in the case of self-employed borrowers or borrowers relying on commission income, fluctuations in income), marital separation and a borrower's equity in the related mortgaged property. In addition, delinquency and foreclosure experience may be sensitive to adverse economic conditions, either nationally or regionally, may exhibit seasonal variations and may be influenced by the level of interest rates and servicing decisions on the applicable Assistance Loans. Regional economic conditions (including declining real estate values) may particularly affect delinquency and foreclosure experience on Assistance Loans to the extent that mortgaged properties and collateral are concentrated in certain geographic areas.

## **Servicing of the Assistance Loans**

### **General**

The Assistance Loans will be serviced by the Servicer in accordance with the provisions of the Servicing Agreement.

The related Seller will retain ownership of the servicing rights with respect to the Assistance Loans serviced by the Servicer and may transfer the servicing of the Assistance Loans to one or more successor servicers at any time with 30 days' notice, without cause, subject to the conditions set forth in the Trust Agreement and the Servicing Agreement, including the requirements that any such successor servicer be qualified to service mortgage loans for Freddie Mac or Fannie Mae and that each Rating Agency confirm in writing that the transfer of servicing will not result in a qualification, withdrawal or downgrade of the then-current ratings of any of the Certificates.

### **Servicing Compensation and Payment of Expenses**

The Servicer will be paid a monthly fee (a "Servicing Fee") with respect to each Assistance Loan (other than any Assistance Loan with an interest rate equal to zero) calculated as 0.25% annually (the "Servicing Fee Rate") of the outstanding principal balance of each such Assistance Loan as of the first day of the related Collection Period. As additional servicing compensation, the Servicer will also be entitled to receive (1) any interest or other income earned on funds it has deposited in a custodial account pending remittance to the Trustee and (2) certain customary fees and charges paid by borrowers.

The Servicing Fees are subject to reduction as described below under "—Prepayment Interest Shortfalls." See "Servicing of Loans—Servicing Compensation and Payment of Expenses" in the Prospectus for information regarding expenses payable by the Servicer. The Servicer will be entitled to reimbursement for certain expenses prior to distribution of any amounts to Certificateholders. See "Servicing of Loans—Servicing Compensation and Payment of Expenses" in the Prospectus.

### **Prepayment Interest Shortfalls**

When a borrower prepays an Assistance Loan in full or in part, the borrower pays interest on the amount prepaid only from the date of the last Monthly Payment received to the date of prepayment (or to the first day of the applicable month, in the case of certain prepayments), with a resulting reduction in interest payable for the month during which the prepayment is made. Any Prepayment Interest Shortfall is generally required to be paid by the Servicer, but only to the extent that such amount does not exceed the total of the Servicing Fees on the Assistance Loans serviced by it for the applicable Distribution Date.

### **Advances**

The Servicer will generally be obligated to make advances (each, an "Advance") with respect to delinquent payments of interest, but not principal, on the Assistance Loans, adjusted to the related Loan Rate

less the Servicing Fee Rate, to the extent that such Advances, in its judgment, are reasonably recoverable from future payments and collections, insurance payments or proceeds of liquidation of an Assistance Loan. The Servicer will only advance two consecutive delinquent payments of interest for Assistance Loans not secured by real estate. The Trustee will be obligated to make any such Advances if the Servicer fails to do so, to the extent provided in the Trust Agreement. The Servicer or the Trustee, as applicable, will be entitled to recover any Advances made by it with respect to an Assistance Loan out of late payments thereon or out of related liquidation proceeds and insurance proceeds or, if those amounts are insufficient, from collections on other Assistance Loans. Such reimbursements may result in Realized Losses.

On each distribution date, the Servicer will also be obligated to make an advance with respect to each Assistance Loan that provides for payments on either a quarterly, semi-annual or annual basis rather than on a monthly basis, in each case equal to the sum of the interest portion of such quarterly, semi-annual or annual payments for a full year divided by twelve. The Servicer will be entitled to recover any advances made by it with respect to any Assistance Loan that provides for payments on either a quarterly, semi-annual or annual basis out of such quarterly, semi-annual or annual payments.

The purpose of making these Advances is to maintain a regular cash flow to the Certificateholders, rather than to guarantee or insure against losses. No party will be required to make any Advances with respect to reductions in the amount of the monthly payments on Assistance Loans due to reductions made by a bankruptcy court in the amount of a payment owed by a borrower or a reduction of the applicable Loan Rate by application of the Relief Act.

### **Defaulted Loans**

Except in the case of Special Assessment Loans, it is generally not expected that the Servicer will make any effort to foreclose on, repossess or otherwise realize on non-real estate collateral securing Assistance Loans.

### **Collection of Taxes, Assessments and Similar Items**

The Servicer will, to the extent required by the related loan documents, maintain escrow accounts for the collection of hazard insurance premiums and real estate taxes with respect to the Mortgage Loans, and will make advances with respect to delinquencies in required escrow payments by the related borrowers.

### **Insurance Coverage**

The Servicers is required to obtain and thereafter maintain in effect a bond, corporate guaranty or similar form of insurance coverage (which may provide blanket coverage), or any combination thereof, insuring against loss occasioned by the errors and omissions of their respective officers and employees.

### **Evidence as to Compliance**

The Trust Agreement will provide that each year a firm of independent accountants will furnish a statement to the Trustee to the effect that such firm has examined certain documents and records relating to the servicing of loans similar to the Assistance Loans by the Servicer and that, on the basis of such examination, such firm is of the opinion that the servicing has been conducted in accordance with the terms of the Servicing Agreement, except for (1) exceptions as the firm believes to be immaterial and (2) any other exceptions set forth in such statement.

### **Certain Rights Related to Foreclosure**

Certain rights in connection with foreclosure of defaulted Assistance Loans may be granted to the holders of the Class B6 Certificates; when the Class B6 Certificates are no longer outstanding, to the holders of the Class B5 Certificates; and when the Class B5 Certificates are no longer outstanding, to the holders of the Class B4 Certificates. These rights could include (1) the right to delay foreclosure until an Assistance Loan has been delinquent for six months, provided that upon election to delay foreclosure such holder establishes a reserve fund for the benefit of the Trust Fund in an amount equal to 125% of the greater of the Principal Balance of such Assistance Loan and the appraised value of the related Mortgaged Property, if any, plus three months'

accrued interest on such Assistance Loan, (2) the right to request that the Servicer take certain actions with respect to defaulted Assistance Loans and (3) the right to purchase certain defaulted Assistance Loans from the Trust Fund. The exercise of a right to delay foreclosure with respect to a Mortgage Loan could affect the amount recovered upon liquidation of the related Mortgaged Property.

#### **Certain Rights of the Class A1 Certificateholder**

Fannie Mae, as holder of the Class A1 Certificates, will have certain rights with respect to the Servicer and the servicing of the Assistance Loans. These rights, for so long as the Class A1 Certificates are outstanding, include:

- The right, in the event that the Class B4 Certificates are no longer outstanding, to appoint a special servicer in accordance with the terms of the Trust Agreement and cause the servicing with respect to any Assistance Loans that are 90 days or more delinquent to be transferred to the special servicer;
- The right to consent to any resignation by the Servicer and to appoint a successor servicer acceptable to each Rating Agency in the event of such a resignation;
- The right to cause the Trustee to terminate the Servicer in the event of the occurrence of certain events of default set forth in the Servicing Agreement;
- The right to cause the Trustee to appoint a successor servicer acceptable to Fannie Mae and each Rating Agency;
- The right to consent to the waiver by the Trustee of any event of default set forth in the Servicing Agreement;
- In the event that the Class B4 Certificates are no longer outstanding or the aggregate number of amended, waived or modified Assistance Loans in Pool 1 exceed 5% of the number of Assistance Loans in Pool 1 as of the Cut-off Date, the right to consent to the amendment, waiver or modification of the terms of any Assistance Loan in Pool 1;
- The right to consent in writing to foreclosure on any Mortgaged Property securing a Mortgage Loan in Pool 1 containing toxic or hazardous waste;
- The right to purchase any Assistance Loans in Pool 1 that are in default for 90 days or more for a purchase price equal to 100% of the outstanding principal balance of such Assistance Loans, plus accrued interest thereon at the applicable Loan Rate and any unreimbursed servicing advances with respect thereto; and
- The right to preclude (i) termination of the Trust Fund unless all amounts owed to Fannie Mae under its guaranty (the “Guaranty”) executed in connection with its issuance of securities backed by the Class A1 Certificates have been paid, and (ii) the exercise of the Servicer’s optional termination right if the exercise of such right would trigger a payment under the Guaranty.



## **Trust Agreement**

### **General**

The Certificates will be issued pursuant to a Trust Agreement (the “Trust Agreement”) dated as of February 1, 2002 between the Depositor and the Trustee. Reference is made to the Prospectus for important information in addition to that set forth herein regarding the terms and conditions of the Trust Agreement and the Offered Certificates. Offered Certificates in certificated form will be transferable and exchangeable at the Corporate Trust Office of the Trustee, which will serve as certificate registrar and paying agent. The Trustee will provide to a prospective or actual Certificateholder, without charge, on written request, a copy (without exhibits) of the Trust Agreement. Requests should be addressed to Wells Fargo Bank Minnesota, National Association, 11000 Broken Land Parkway, Columbia, Maryland 21044, Attention: Corporate Trust Services (SASCO 2002-AL1).

### **Assignment of Assistance Loans**

The Assistance Loans will be assigned to the Trustee, together with all principal and interest received with respect to the Assistance Loans on and after the Cut-off Date. The Trustee will, concurrently with such assignment, authenticate and deliver the Certificates. Each Assistance Loan will be identified in a schedule appearing as an exhibit to the Trust Agreement which will specify with respect to each Assistance Loan, among other things, the original principal balance and the Principal Balance as of the close of business on the Cut-off Date, the Loan Rate, the Monthly Payment and the maturity date of such Assistance Loan.

As to each Assistance Loan, the following documents, to the extent applicable, are generally required to be delivered to the Trustee (or its custodian) in accordance with the Trust Agreement: (1) the related original Mortgage Note or promissory note evidencing indebtedness, in the case of an Assistance Loan secured by collateral other than real estate, endorsed without recourse to the Trustee or in blank, (2) the original Mortgage with evidence of recording indicated thereon, (or, if the original recorded Mortgage has not yet been returned by the recording office, a copy thereof certified to be a true and complete copy of such Mortgage sent for recording) or, in the case of an Assistance Loan secured by collateral other than real estate, the original security agreement and related documents, (3) an original assignment of the Mortgage to the Trustee or in blank in recordable form (except as described below) or, in the case of a cooperative loan, an original assignment of security agreement, and any related documents showing a complete chain of assignment, (4) the policies of title insurance issued with respect to each Mortgage Loan, (5) the originals of any assumption, modification, extension or guaranty agreements and (6) the original or a copy of any loan authorization and agreement entered into between a borrower and the United States Small Business Administration. It is expected that the Mortgages or assignments of Mortgage with respect to many of the Mortgage Loans, if recorded, will have been recorded in the name of an agent on behalf of the holder of the related Mortgage Note. In those cases, no assignment in favor of the Trustee will be required to be prepared, delivered or recorded. Instead, the Servicer will be required to take all actions as are necessary to cause the Trustee to be shown as the owner of the related Assistance Loan on the records of the agent for purposes of the system of recording transfers of beneficial ownership of mortgages maintained by the agent. For Assistance Loans secured by Special Assessments, the Servicer will obtain and file assignments of any uniform commercial code financing statements to the Trustee or filing new financing statements in the name of the Trustee, to the extent necessary to perfect the Trustee’s interest in the related collateral.

One or more of the documents described above, or other documents, are not available with respect to certain of the Assistance Loans. The Depositor will not be obligated to repurchase or substitute for any such defective Assistance Loan unless a loss that would otherwise constitute a Realized Loss is incurred with respect to such Assistance Loan and such loss resulted from the failure to deliver such documents.

The Assistance Loans were sold by the SBA to the related Sellers without representations and warranties or other recourse of any kind. Pursuant to the terms of a sale and assignment agreement (the “Sale and Assignment Agreement”) whereby the Assistance Loans will be purchased by the Depositor, the Sellers will make to the Depositor (and the Depositor will assign its rights thereunder to the Trustee for the benefit of holders of Offered Certificates) certain representations and warranties that generally include representations

and warranties similar to those summarized in the Prospectus under the heading “Loan Underwriting Procedures and Standards—Representations and Warranties.”

In the event of a breach of any such representation or warranty the related Seller will be obligated to cure such breach or purchase the affected Assistance Loan from the Trust Fund for a price equal to the unpaid principal balance thereof plus accrued interest thereon (or, in certain circumstances, to substitute another Assistance Loan).

To the extent that any Assistance Loan as to which a representation or warranty has been breached is not repurchased by the related Seller and a Realized Loss occurs with respect to that Assistance Loan, holders of Offered Certificates, in particular the Offered Subordinate Certificates, may incur a loss.

### **Voting Rights**

The Interest-Only Certificates will be allocated 5% of the voting rights, and the remaining Classes of Certificates will be allocated 95% of the voting rights, under the Trust Agreement. Voting rights will be allocated among the Classes of Offered Certificates in proportion to their respective Class Principal Amounts or Class Notional Amounts, and among Certificates of each Class in proportion to their Percentage Interests.

For so long as the Class A1 Certificates are outstanding, the Trust Agreement can be amended only with the consent of Fannie Mae.

## **Yield, Prepayment and Weighted Average Life**

### **General**

The yields to maturity (or to early termination) of the Class A1 Certificates will be affected by the rate of principal payments (including prepayments, which may include amounts received by virtue of repurchase, condemnation, insurance or foreclosure) on the Assistance Loans in Pool 1, the yields on the Class A2 Certificates will be affected by the rate of principal payments on the Assistance Loans in Pool 1 and 2 and the yields of the Class A3 Certificates, Class APO Certificates, Class AIO Certificates and the Subordinate Certificates will be affected by the rate of principal payments on the Assistance Loans in all three Loan Pools. Yields will also be affected by the amount and timing of borrower delinquencies and defaults resulting in Realized Losses on the Assistance Loans in Pool 1, in the case of the Class A1 Certificates, or on the Assistance Loans in Pool 1 and Pool 2, in the case of the Class A2 Certificates, or on all the Assistance Loans, in the case of the Class A3, Class AIO, Class APO Certificates and the Subordinate Certificates, the purchase prices for such Certificates and other factors.

Principal prepayments may be influenced by a variety of economic, geographic, demographic, social, tax, legal and other factors. In general, if prevailing interest rates fall below the interest rates on the Assistance Loans, the Assistance Loans are likely to be subject to higher prepayments than if prevailing rates remain at or above the interest rates on the Assistance Loans. Conversely, if prevailing interest rates rise above the interest rates on the Assistance Loans, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of the Assistance Loans include such factors as changes in borrowers' housing needs, job transfers, unemployment, borrowers' net equity in the mortgaged properties, changes in the value of the mortgaged properties, mortgage market interest rates, consumer and small business loan rates and servicing decisions. The Assistance Loans generally have due-on-sale clauses.

The rate of principal payments on the Assistance Loans will also be affected by the amortization schedules of the Assistance Loans, the rate and timing of prepayments thereon by the borrowers, liquidations of defaulted Assistance Loans and repurchases of Assistance Loans due to certain breaches of representations and warranties or defective documentation. The timing of changes in the rate of prepayments, liquidations and repurchases of the related Assistance Loans may, and the timing of Realized Losses will, significantly affect the yield to an investor, even if the average rate of principal payments experienced over time is consistent with an investor's expectation. Because the rate and timing of principal payments on the Assistance Loans will depend on future events and on a variety of factors (as described more fully herein and in the Prospectus under “Yield, Prepayment and Maturity Considerations”), no assurance can be given as to such rate or the timing of principal payments on the Offered Certificates. In general, the earlier a prepayment of principal of

the related Assistance Loans, the greater the effect on an investor's yield. The effect on an investor's yield of principal payments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Certificates may not be offset by a subsequent like decrease (or increase) in the rate of principal payments.

Prospective investors should consider that the Servicer or its affiliates or agents may actively solicit borrowers to refinance their Assistance Loans, thus increasing the rate of prepayments. These refinancings and solicitations may consist of rate or term or cash out refinancings, first and junior lien consolidations, and other forms of refinancings through active solicitations of the borrowers.

The rate and timing of principal prepayments on the Assistance Loans in any Loan Pool, which have Loan Rates and original terms to maturity that differ from those of the Assistance Loans in the other Loan Pools, may differ significantly from the rate and timing of prepayments on the Assistance Loans in the other Loan Pools.

From time to time, areas of the United States may be affected by flooding, severe storms, landslides, wildfires, earthquakes or other natural disasters. Under the Sale and Assignment Agreement, the related Seller will represent and warrant as of the Closing Date that no material damage has occurred to the Mortgaged Property since the origination of the related Mortgage Loan. No such representation and warranty will be made with respect to collateral securing other Assistance Loans. In the event of an uncured breach of this representation and warranty that materially and adversely affects the interests of Certificateholders, the related Seller will be required to repurchase the affected Mortgage Loan or substitute another Mortgage Loan therefor. If any damage caused by flooding, storms, wildfires, landslides or earthquakes (or other cause) occurs after the Closing Date, the related Seller will not have any repurchase obligation. The standard hazard policies covering the Mortgaged Properties generally do not cover damage caused by earthquakes, flooding and landslides, and earthquake, flood or landslide insurance may not have been obtained with respect to such Mortgaged Properties. As a consequence, Realized Losses could result. To the extent that the insurance proceeds received with respect to any damaged Mortgage Properties are not applied to the restoration thereof, the proceeds will be used to prepay the related Mortgage Loans in whole or in part. Any repayments of the Mortgage Loans may reduce the weighted average lives of the Offered Certificates and will reduce the yields on the Offered Certificates to the extent they are purchased at a premium.

Prepayments, liquidations and repurchases of the Assistance Loans will result in distributions to holders of the related Certificates of principal amounts that would otherwise be distributed over the remaining terms of such Assistance Loans. The rate of defaults on the Assistance Loans will also affect the rate and timing of principal payments on the Assistance Loans. In general, defaults on Assistance Loans are expected to occur with greater frequency in their early years.

The Servicer will not advance for delinquent payments of principal, and will only make two consecutive delinquency interest advances on any Assistance Loan secured by non-real estate collateral.

The yields on the Offered Certificates may be adversely affected by Net Prepayment Interest Shortfalls.

The yields on the Offered Certificates will be affected by the exercise by the Servicer of its right to purchase the Assistance Loans as described under "Description of the Certificates—Optional Termination of the Trust Fund" herein, or by the failure of the Servicer to exercise that right. Purchasers of Senior Certificates in any Group should consider that disproportionately high rates of prepayments for the Assistance Loans in any particular Loan Pool could result in the Servicer exercising its right to repurchase the Assistance Loans even though a substantial amount of the Assistance Loans in the Loan Pool to which those Certificate relate are still outstanding.

If the purchaser of a Certificate offered at a discount from its initial principal amount, particularly the Principal-Only Certificates, calculates its anticipated yield to maturity (or early termination) based on an assumed rate of payment of principal that is faster than that actually experienced on the related Assistance Loans, the actual yield may be lower than that so calculated. Investors in the Principal-Only Certificates should carefully consider that a slower than anticipated rate of prepayment on the Discount Assistance Loans in any Loan Pool could result in an actual yield that is lower than the anticipated yield. Conversely, if the purchaser of a Certificate offered at a premium, particularly an Interest-Only Certificate, calculates its anticipated yield based on an assumed rate of payment of principal that is slower than that actually experienced on the related Assistance Loans, the actual yield may be lower than that so calculated. Investors

in the Interest-Only Certificates should carefully consider that a faster than anticipated rate of prepayments on the Non-Discount Assistance Loans in any Loan Pool could result in an actual yield that is lower than the anticipated yield, and could result in the failure of such investors to fully recover their initial investments. See “Risk Factors—Special Risks for Certain Classes of Certificates” herein.

The effective yield to holders of the Offered Certificates will be lower than the yield otherwise produced by the applicable Interest Rate and the related purchase price because monthly distributions will not be payable to such holders until the 25th day of the month (or the immediately following Business Day if such day is not a Business Day) following the month in which interest accrues on the Assistance Loans (without any additional distribution of interest or earnings thereon in respect of such delay).

### **Sensitivity of Certain Classes of Certificates**

***Sensitivity of Principal-Only and Interest-Only Certificates.*** The yields of the Principal-Only Certificates will be sensitive, and the yields of the Interest-Only Certificates will be extremely sensitive, to the rate and timing of principal prepayments on the related Assistance Loans.

The Class APO Certificates will be sensitive to prepayments on the Discount Assistance Loans. Prospective investors in the Class APO Certificates should consider the risk that a slower than anticipated rate of prepayments (including liquidations, insurance payments and repurchases due to breaches of representations and warranties) on the Discount Assistance Loans, which have Loan Rates that are lower than those of the other Assistance Loans and may therefore be less likely to prepay, could result in actual yields that are lower than the anticipated yields.

Prospective investors in the Class AIO Certificates should carefully consider the risk that a faster than anticipated rate of prepayments on the Assistance Loans in any Loan Pool could result in actual yields that are lower than the anticipated yields, and could result in the failure of such investors to fully recover their initial investments. Prospective investors in the Class AIO Certificates should also carefully consider the risk of a faster than anticipated rate of prepayment on specified Assistance Loans with Net Rates equal to or greater than 3.45%.

To illustrate the significance of prepayments on the yields on these Certificates, the following tables indicate the pre-tax yields to maturity (on a corporate bond equivalent basis) and weighted average lives under the specified assumptions at the percentages of CPR shown. The yields shown were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Class of Certificates, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase price of such Class and converting such monthly rates to corporate bond equivalent rates. These calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on such Certificates and consequently do not purport to reflect the return on any investment in any such Class of Certificates when such reinvestment rates are considered. The weighted average lives shown were determined by (1) multiplying the net reduction, if any, of the applicable Class Principal Amount or Class Notional Amount by the number of years from the assumed date of issuance of the applicable Class of Certificates to the related Distribution Date, (2) adding the results and (3) dividing the sum by the aggregate of the net reductions of Class Principal Amount described in clause (1) above. It is unlikely that any of the Pool 1, Pool 2 or Pool 3 Assistance Loans will prepay at any of the assumed constant rates shown or at any other constant rate until maturity. (Such weighted average lives are shown for illustrative purposes only in the case of the Class AIO Certificates. Such Certificates are not entitled to distributions of principal and therefore have no weighted average lives.) The timing of changes in the rate of prepayments may significantly affect the actual yields to maturity and weighted average lives, even if the average rate of principal prepayments is consistent with an investor's expectation.

Each of the following tables was prepared on the basis of the characteristics of the Assistance Loans expected to be included in Pool 1, Pool 2 and Pool 3, the Modeling Assumptions set forth under “— Weighted Average Life” below and the additional assumptions that (1) the assumed aggregate purchase price for the Class APO Certificates (expressed as a percentage of the initial Class Principal Balance) as set forth below, (2) the assumed aggregate purchase price for the Class AIO Certificates is equal to the assumed purchase price (expressed as a percentage of the initial Class Notional Amount) as set forth below plus

twenty-seven days of accrued interest and (3) the initial Class Principal Amounts of the Class APO Certificates and the initial Class Notional Amounts and Certificate Interest Rate of the Class AIO Certificates are as set forth or described herein.

**Pre-Tax Yield\* to Maturity of the Class APO Certificates**  
**(Assumed Purchase Price Percentage of 56.03125%)**

	Percentage of CPR					
	<u>0%</u>	<u>6%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>24%</u>
Yield* . . . . .	7.4%	11.7%	14.2%	16.8%	22.6%	29.1%
Weighted Average Life in Years . . . . .	9.4	6.4	5.4	4.7	3.6	2.8

\* Corporate bond equivalent analysis

**Pre-Tax Yield\* to Maturity of the Class AIO Certificates**  
**(Assumed Purchase Price Percentage of 10.625%)**

	Percentage of CPR					
	<u>0%</u>	<u>6%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>24%</u>
Yield* . . . . .	25.3%	18.6%	15.1%	11.6%	4.4%	(3.0)%
Weighted Average Life in Years . . . . .	9.2	6.4	5.5	4.7	3.6	2.9

\* Corporate bond equivalent analysis

The Pool 1, Pool 2 and Pool 3 Assistance Loans may not have the characteristics assumed for purposes of the tables above, and there can be no assurance that the Assistance Loans will prepay at any of the constant rates assumed, that the actual pre-tax yields to maturity and weighted average lives for the Principal-Only or Interest-Only Certificates will correspond to any of the calculated yields and weighted average lives shown herein, or that the purchase prices of such Certificates will be as assumed. Each investor should make its own determination as to the appropriate assumptions to be used and factors to be considered in deciding whether to purchase a Principal-Only or Interest-Only Certificate.

**Subordination of the Offered Subordinate Certificates**

On each Distribution Date, the holders of Classes of Certificates having a relatively higher priority of distribution will have a preferential right to receive amounts of interest and principal due them on such Distribution Date before any distribution is made on any Class of Certificates subordinate to such higher ranking Class. As a result, the yields to maturity and the aggregate amount of distributions on the Class B1, Class B2 and Class B3 Certificates will be more sensitive than the yields of higher ranking Certificates to the rate of delinquencies and defaults on the Assistance Loans.

As more fully described herein, the principal portion of Realized Losses (other than Excess Losses) on the Assistance Loans in each Loan Pool will be allocated (directly, or through application of a Subordinate Certificate Writedown Amount) first to the lower ranking Classes of Subordinate Certificates, then to the higher ranking Classes of Subordinate Certificates, in inverse order of priority, until the Class Principal Amount of each such Class has been reduced to zero, before any such Realized Losses will be allocated to the Senior Certificates or Components of the related Certificate Group. The interest portion of Realized Losses on the Assistance Loans in a Loan Pool (other than Excess Losses) will reduce the amount available for distribution on the related Distribution Date to the lowest ranking Class outstanding on such date.

**Weighted Average Life**

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of each dollar distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Offered Certificates will be influenced by, among other things, the rate at which principal of the related Assistance Loans is paid, which may be in the form of scheduled amortization, prepayments or liquidations.

Prepayments on Assistance Loans are commonly measured relative to a constant prepayment standard or model. The model used in this Prospectus Supplement for the Assistance Loans (“CPR”) represents an assumed constant rate of prepayment each month relative to the then outstanding principal balance of the related pool of Assistance Loans for the life of such Assistance Loans. CPR does not purport to be either a historical description of the prepayment experience of any pool of Assistance Loans or a prediction of the anticipated rate of prepayment of any Assistance Loans, including the Assistance Loans to be included in the Trust Fund.

The tables beginning on page S-64 were prepared based on the following additional assumptions (collectively, the “Modeling Assumptions”): (1) the initial Class Principal Amounts and the Interest Rates are as described in this Prospectus Supplement; (2) each Monthly Payment of principal and interest on the Assistance Loans is timely received on the first day of each month commencing in March 2002; (3) principal prepayments are received in full on the last day of each month commencing in February 2002 and there are no Net Prepayment Interest Shortfalls; (4) there are no defaults or delinquencies on the Assistance Loans; (5) there are no repurchases or substitutions of the Assistance Loans; (6) there is no optional termination of the Trust Fund; (7) the settlement date is February 28, 2002; (8) Distribution Dates occur on the 25th day of each month commencing in March 2002; (9) there is no Servicing Fee with respect to any Assistance Loan with a Net Rate equal to zero; and (10) the Loan Pool consists of approximately 600 assumed loans having characteristics that generally approximate the actual characteristics of the Assistance Loans.

The actual characteristics and the performance of the Assistance Loans will differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Assistance Loans will prepay at a constant rate until maturity, that all of the Assistance Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Assistance Loans. Moreover, the diverse remaining terms to maturity and loan rates of the Assistance Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average loan rates of the Assistance Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Assistance Loans, or actual prepayment or loss experience, will cause the percentages of initial Class Principal Amounts outstanding over time and the weighted average lives of the Offered Certificates to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Offered Certificates and set forth the percentages of the initial Class Principal Amounts of the Offered Certificates that would be outstanding after each of the Distribution Dates shown at various percentages of CPR. The weighted average life of an Offered Certificate is determined by (1) multiplying the net reduction, if any, of the applicable Class Principal Amount by the number of years from the date of issuance of the Offered Certificate to the related Distribution Date, (2) adding the results and (3) dividing the sum by the aggregate of the net reductions of Class Principal Amount described in (1) above.

**Percentage of Initial Class Principal Amount of the  
Class A1, A2 and A3 Certificates Outstanding at the Following Percentages of CPR**

Distribution Date	Class A1 Certificates					Class A2 Certificates					Class A3 Certificates				
	0%	6%	9%	12%	24%	0%	6%	9%	12%	24%	0%	6%	9%	12%	24%
Initial Percentage	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2003	94	86	81	77	69	95	89	86	82	76	95	89	86	83	77
February 2004	88	72	65	58	44	90	78	73	68	58	89	78	73	68	59
February 2005	82	60	50	41	29	84	69	62	56	44	84	69	63	57	44
February 2006	75	49	38	31	21	80	61	53	45	33	79	61	54	46	32
February 2007	69	39	30	24	14	75	54	45	37	25	74	54	45	36	22
February 2008	63	33	25	19	9	70	47	38	31	19	69	47	37	29	16
February 2009	57	28	21	15	6	66	42	33	25	14	64	41	31	23	11
February 2010	50	24	17	11	3	61	37	28	21	11	5	35	25	18	8
February 2011	44	20	14	8	2	57	32	24	18	9	3	55	30	21	14
February 2012	38	17	11	6	1	53	28	21	15	8	2	50	25	17	11
February 2013	33	14	8	4	0	48	25	18	13	7	1	45	21	14	9
February 2014	30	12	6	3	0	44	21	15	11	5	1	40	18	11	7
February 2015	26	9	5	2	0	39	19	13	9	4	1	35	14	9	5
February 2016	22	7	3	1	0	35	16	11	8	3	*	30	11	7	4
February 2017	19	5	2	0	0	30	13	9	7	2	*	24	9	5	2
February 2018	15	3	1	0	0	26	11	8	5	1	*	19	6	3	2
February 2019	12	2	0	0	0	21	9	6	3	1	*	14	4	2	1
February 2020	8	1	0	0	0	16	8	4	2	*	10	3	1	1	*
February 2021	5	0	0	0	0	12	5	3	1	*	6	2	1	*	*
February 2022	2	0	0	0	0	8	3	1	1	*	3	1	*	*	*
February 2023	0	0	0	0	0	2	1	*	*	*	1	*	*	*	*
February 2024	0	0	0	0	0	1	*	*	*	*	*	*	*	*	*
February 2025	0	0	0	0	0	*	*	*	*	*	*	*	*	*	*
February 2026	0	0	0	0	0	*	*	*	*	*	*	*	*	*	*
February 2027	0	0	0	0	0	*	*	*	*	*	*	*	*	*	*
February 2028	0	0	0	0	0	*	*	*	*	*	*	*	*	*	*
February 2029	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
Weighted Average Life in Years	8.8	5.3	4.3	3.5	2.5	10.6	7.2	6.0	5.1	3.7	10.0	6.7	5.6	4.7	2.5

\* Indicates a value between 0.0% and 0.5%



**Percentage of Initial Class Principal Amount of the  
Class APO, B1, B2 and B3 Certificates Outstanding at the Following Percentages of CPR**

Distribution Date	Class APO Certificates						Class B1, B2 and B3 Certificates					
	0%	6%	9%	12%	18%	24%	0%	6%	9%	12%	18%	24%
Initial Percentage	100	100	100	100	100	100	100	100	100	100	100	100
February 2003	92	87	84	81	76	70	95	95	95	95	95	95
February 2004	86	76	71	67	58	50	89	89	89	89	89	89
February 2005	80	67	60	55	44	35	84	84	84	84	84	84
February 2006	75	58	51	45	34	25	79	79	79	79	79	79
February 2007	65	48	40	34	24	16	73	73	73	73	73	73
February 2008	60	41	34	28	18	12	68	67	66	66	64	63
February 2009	55	36	28	22	14	8	63	61	59	58	55	52
February 2010	50	31	24	18	10	6	58	54	52	50	45	41
February 2011	46	27	20	15	8	4	54	47	44	41	35	30
February 2012	43	23	17	12	6	3	49	40	36	33	26	21
February 2013	39	20	14	10	4	2	44	34	30	26	20	14
February 2014	35	17	11	8	3	1	39	29	24	20	14	10
February 2015	32	14	9	6	2	1	34	24	19	16	10	6
February 2016	28	12	7	5	2	1	30	19	15	12	7	4
February 2017	24	10	6	4	1	*	25	15	12	9	5	3
February 2018	20	8	5	3	1	*	20	11	8	6	3	2
February 2019	17	6	3	2	1	*	15	8	6	4	2	1
February 2020	13	4	2	1	*	*	11	6	4	3	1	1
February 2021	10	3	2	1	*	*	7	3	2	2	1	*
February 2022	6	2	1	*	*	*	4	2	1	1	*	*
February 2023	3	1	*	*	*	*	1	*	*	*	*	*
February 2024	2	1	*	*	*	*	*	*	*	*	*	*
February 2025	1	*	*	*	*	*	*	*	*	*	*	*
February 2026	1	*	*	*	*	*	*	*	*	*	*	*
February 2027	*	*	*	*	*	*	*	*	*	*	*	*
February 2028	*	*	*	*	*	*	*	*	*	*	*	*
February 2029	0	0	0	0	0	0	*	*	*	*	*	*
February 2030	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life in Years	9.4	6.4	5.4	4.7	3.6	2.8	10.0	8.9	8.5	8.2	7.6	7.2

\* Indicates a value between 0.0% and 0.5%

## **Material Federal Income Tax Considerations**

### **General**

In the opinion of McKee Nelson LLP (“Tax Counsel”), assuming compliance with the Trust Agreement, the Trust Fund (exclusive of the Simple Interest Reserve Fund) will qualify as a FASIT within the meaning of Section 860L(a) of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, in the opinion of Tax Counsel, the Offered Certificates, other than the Class APO and Class AIO Certificates, will evidence ownership of FASIT “regular interests” within the meaning of Section 860L(b)(1)(A) of the Code, the Class APO and Class AIO Certificates will evidence ownership of FASIT “high-yield interests” within the meaning of Section 860L(b)(1)(B) of the Code and the Class O Certificate will evidence ownership of the sole class of “ownership interest” in the FASIT within the meaning of Section 860L(b)(2).

The APO Certificates and the AIO Certificates will be, and the other Classes of Offered Certificates may be, issued with original issue discount for federal income tax purposes. See “Material Federal Income Tax Considerations—FASITs—Taxation of Owners of FASIT Regular Securities—(2) Original Issue Discount; Market Discount; Acquisition Premium” in the Prospectus. A beneficial owner of a Certificate issued with original issue discount must include the original issue discount in income as it accrues on a constant yield method, regardless of whether the beneficial owner receives concurrently the cash attributable to such original issue discount. The prepayment assumptions that will be used in determining the rate of accrual of original issue discount, market discount and premium, if any, for information reporting purposes, will be set forth in the Trust Agreement. No representation is made that the Assistance Loans will prepay at any of those rates or any other rate.

### **Class APO and Class AIO Certificates**

The Code provides that, if a high-yield interest is held by a holder other than an eligible corporation or a FASIT (a “disqualified holder”), the gross income attributable to the high-yield interest will be included in the gross income of the most recent holder that is not a disqualified holder (the “Transferor”). In such a case, the Code provides that the Transferor is relieved of any tax resulting from the inclusion of such income if the Transferor receives from the transferee an affidavit that the transferee is not a disqualified holder and, at the time of the transfer, the Transferor does not know such affidavit is false. The Trust Agreement provides that no Class APO or Class AIO Certificate may be transferred to a disqualified holder. In addition, each beneficial owner of a Class APO or Class AIO Certificate, as a condition of its purchase of such certificate, represents that it is not a disqualified holder and that it will not be a disqualified holder at any time it holds such certificate. Notwithstanding these actions, prospective transferors of Class APO and Class AIO Certificates should consider obtaining an affidavit from any transferee of such a Certificate and should discuss with their tax advisors the possible tax consequences to them if such affidavit is not obtained in the manner required by the Code. A form of such an affidavit is attached hereto as Annex B.

Additional rules relating to high-yield interests are described under “Material Federal Income Tax Considerations—FASITs—Taxation of Owners of High-Yield Interests” in the Prospectus. Prospective investors should consult their own tax advisors regarding the application of those rules to an investment in a Class APO or Class AIO Certificate.

## **Legal Investment Considerations**

None of the Certificates will constitute “mortgage related securities” for purposes of the Secondary Mortgage Market Enhancement Act of 1984.

Accordingly, investors should consult their own legal advisors to determine whether and to what extent the Offered Certificates may be purchased by such investors.

## **Use of Proceeds**

The net proceeds from the sale of the Offered Certificates will be applied by the Depositor, or an affiliate thereof, toward the purchase of the Assistance Loans and the repayment of any related financing. The Assistance Loans will be acquired by the Depositor from the Sellers in a privately negotiated transaction.

## **Underwriting**

Subject to the terms and conditions set forth in the underwriting agreement and in a terms agreement (collectively, the “Underwriting Agreement”) between the Depositor and Lehman Brothers Inc. (the “Underwriter”), the Depositor has agreed to sell to the Underwriter, and the Underwriter has agreed to purchase from the Depositor, all of the Offered Certificates.

The distribution of the Offered Certificates by the Underwriter will be effected in each case from time to time in one or more negotiated transactions, or otherwise, at varying prices to be determined, in each case, at the time of sale. The Underwriter may effect such transactions by selling the Certificates to or through dealers, and such dealers may receive from the Underwriter, for whom they act as agent, compensation in the form of underwriting discounts, concessions or commissions. The Underwriter and any dealers that participate with the Underwriter in the distribution of the Certificates may be deemed to be an underwriter, and any discounts, commissions or concessions received by them, and any profit on the resale of the Certificates purchased by them, may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended (the “Act”). The Underwriting Agreement provides that the Depositor will indemnify the Underwriter against certain civil liabilities, including liabilities under the Act.

Expenses incurred by the Depositor in connection with this offering are expected to be approximately \$675,000.

Lehman Brothers Inc. has entered into an agreement with the Depositor to purchase the Class B4, Class B5 and Class B6 Certificates simultaneously with the purchase of the Offered Certificates, subject to certain conditions.

The Underwriter is an affiliate of the Depositor and Aurora.

After the initial distribution of the Offered Certificates by the Underwriter, the Prospectus and Prospectus Supplement may be used by the Underwriter, an affiliate of the Sellers, the Depositor and Aurora, in connection with market making transactions in the Offered Certificates. The Underwriter may act as principal or agent in such transactions. Such transactions will be at prices related to prevailing market prices at the time of sale.

## **ERISA Considerations**

None of the Certificates may be purchased by an employee benefit plan or other retirement arrangement that is subject to the Employment Retirement Income Security Act of 1974, as amended (“ERISA”) or to Section 4975 of the Internal Revenue Code of 1986, as amended (collectively, a “Plan”) and that is an “accredited investor” within the meaning of Rule 501(a)(1) of Regulation D of the Commission under the Securities Act of 1933, or by a person investing on behalf of or with plan assets of such a plan or arrangement.

## **Legal Matters**

Certain legal matters with respect to the Certificates will be passed upon for the Depositor and for the Underwriter by McKee Nelson LLP, Washington, D.C.

## **Ratings**

It is a condition to the issuance of the Senior Certificates that they be rated “AAA” by Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. (“S&P”) and Fitch Ratings (“Fitch”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s,” and together with S&P, the “Rating Agencies”). It is a condition to the issuance of the Class B1 Certificates that they be rated “AA” by S&P and Fitch and “Aa2” by Moody’s. It is a condition to the issuance of the Class B2 Certificates that they be rated “A” by S&P and Fitch and “A2” by Moody’s. It is a condition to the issuance of the Class B3 Certificates that they be rated “BBB” by S&P and Fitch and “Baa2” by Moody’s.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. A securities rating addresses the likelihood of the receipt by Offered Certificate holders of distributions in the amount of payments on the Assistance Loans. The rating takes into consideration the characteristics of the Assistance Loans and the structural, legal and tax aspects associated with the Offered Certificates.

The ratings of the Interest-Only Certificates do not address whether investors in those Certificates will fail to recoup their initial investment due to a faster than anticipated rate of prepayments. The ratings of the Principal-Only Certificates only address the return of their Class Principal Amounts.

The security ratings assigned to the Offered Certificates should be evaluated independently from similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the Rating Agencies.

The Depositor has not requested a rating of the Offered Certificates by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Offered Certificates or, if it does, what rating would be assigned by such other rating agency. The rating assigned by such other rating agency to the Offered Certificates could be lower than the respective ratings assigned by the Rating Agencies.

## INDEX OF PRINCIPAL TERMS

<u>Defined Terms</u>	<u>Page</u>	<u>Defined Terms</u>	<u>Page</u>
Accrual Period .....	S-22	Excess Losses .....	S-29
Accrued Certificate Interest .....	S-21	Financial Intermediary .....	S-16
Act .....	S-67	Fitch .....	S-68
Advance .....	S-55	Fraud Loss Limit .....	S-29
APO Percentage .....	S-23	Fraud Losses .....	S-29
APO Principal Distribution Amount .....	S-25	Group 1 Certificates .....	S-13
Apportioned Principal Balance .....	S-28	Group 2 Certificates .....	S-13
Assistance Loans .....	S-13	Group 3 Certificates .....	S-13
Aurora .....	S-53	Group Subordinate Amount .....	S-28
Available Distribution Amount .....	S-26	Harbourton .....	S-53
Bankruptcy Coverage Termination Date .....	S-29	Home Disaster Loans .....	S-51
Bankruptcy Loss Limit .....	S-29	Initial Purchase Date .....	S-29
Bankruptcy Losses .....	S-28	Insurance Proceeds .....	S-26
Beneficial Owner .....	S-15	Interest Rate .....	S-21
Book-Entry Certificates .....	S-15	Interest Shortfall .....	S-21
Business Day .....	S-14	Interest-Only Certificates .....	S-13
Certificate Group .....	S-13	Lehman Capital .....	S-30
Certificateholder .....	S-15	Lehman Bank .....	S-30
Certificate Principal Amount .....	S-21	Liquidated Assistance Loan .....	S-29
Certificates .....	S-13	Liquidation Proceeds .....	S-27
Class Notional Amount .....	S-14	Loan Pool .....	S-13
Class Percentage .....	S-20	Loan Rate .....	S-21
Class Principal Amount .....	S-14	Maturity Date .....	S-29
Clearstream Luxembourg .....	S-15	Modeling Assumptions .....	S-62
Clearstream Luxembourg Participants .....	S-17	Moody's .....	S-69
Code .....	S-66	Mortgage Loans .....	S-13
Collection Period .....	S-26	Mortgaged Property .....	S-30
Component .....	S-14	Net Rate .....	S-21
Component Deferred Amount .....	S-28	Net Prepayment Interest Shortfalls .....	S-22
Component Notional Amount .....	S-21	Net Simple Interest Excess .....	S-22
Component Principal Amount .....	S-21	Net Simple Interest Shortfall .....	S-22
Cooperative .....	S-17	Non-APO Percentage .....	S-23
Corporate Trust Office .....	S-30	Non-APO Pool Balance .....	S-24
CPR .....	S-62	Non-APO Senior Certificate Deferred Amount .....	S-26
Credit Support Depletion Date .....	S-26	Non-APO Senior Certificates .....	S-13
Credit Support Percentage .....	S-20	Non-Discount Assistance Loan .....	S-23
Cut-off Date .....	S-24	Notional Amount .....	S-21
Cut-off Date Balance .....	S-14	Offered Certificates .....	S-13
Debt Service Reduction .....	S-28	Offered Subordinate Certificates .....	S-13
Deficient Valuation .....	S-28	Original Credit Support Percentage .....	S-20
Definitive Certificate .....	S-15	Original Group Subordinate Amount .....	S-24
Depositor .....	S-15	Originator .....	S-30
Designated Rate .....	S-23	Overcollateralized Group .....	S-26
Discount Assistance Loan .....	S-23	Ownership Certificate .....	S-13
Distribution Date .....	S-14	Participant .....	S-16
DTC .....	S-15	Percentage Interest .....	S-15
ERISA .....	S-67	Plan .....	S-67
Euroclear .....	S-15	Pool 1 .....	S-13
Euroclear Operator .....	S-17	Pool 2 .....	S-13
Euroclear Participants .....	S-17	Pool 3 .....	S-13
European Depositaries .....	S-15	Prepayment Interest Shortfall .....	S-22

<u>Defined Terms</u>	<u>Page</u>	<u>Defined Terms</u>	<u>Page</u>
Principal Balance .....	S-24	Servicing Fee Rate .....	S-55
Principal Prepayments .....	S-26	Simple Interest Loans .....	S-31
Principal-Only Certificates .....	S-13	Simple Interest Reserve Fund .....	S-22
Purchase Price .....	S-30	Special Assessment Loans .....	S-32
Rating Agencies .....	S-68	Special Assessments .....	S-32
Realized Loss .....	S-28	Special Hazard Loss Limit .....	S-29
Record Date .....	S-14	Special Hazard Losses .....	S-29
Relevant Depository .....	S-15	Subordinate Certificate Writedown Amount ..	S-28
Relief Act .....	S-21	Subordinate Certificates .....	S-13
Relief Act Reduction .....	S-21	Subordinate Class Percentage .....	S-25
Restricted Class .....	S-20	Subordinate Percentage .....	S-26
Rules .....	S-16	Subordinate Prepayment Percentage .....	S-25
S&P .....	S-69	Subordinate Principal Distribution Amount ..	S-25
Sale and Assignment Agreement .....	S-58	Tax Counsel .....	S-66
SBA .....	S-30	Terms and Conditions .....	S-17
Sellers .....	S-30	Transferor .....	S-66
Senior Certificates .....	S-13	Trust Agreement .....	S-57
Senior Percentage .....	S-24	Trust Fund .....	S-13
Senior Prepayment Percentage .....	S-24	Trustee .....	S-30
Senior Principal Distribution Amount .....	S-23	UCC .....	S-50
Servicer .....	S-53	Undercollateralized Group .....	S-26
Servicer Remittance Date .....	S-39	Underwriter .....	S-67
Servicing Agreement .....	S-53	Underwriting Agreement .....	S-67
Servicing Fee .....	S-55		

## ANNEX A

### Global Clearance, Settlement and Tax Documentation Procedures

Except in certain limited circumstances, the globally offered Structured Asset Securities Corporation Pass-Through Certificates, Series 2002-AL1 (the “Global Securities”) will be available only in book-entry form. Investors in the Global Securities may hold such Global Securities through any of DTC, Clearstream Luxembourg or Euroclear. The Global Securities will be tradeable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream Luxembourg and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations and prior mortgage loan asset backed certificates issues.

Secondary cross-market trading between Clearstream Luxembourg or Euroclear and DTC Participants holding Certificates will be effected on a delivery-against-payment basis through the respective Depositories of Clearstream Luxembourg and Euroclear (in such capacity) and as DTC Participants.

A holder that is not a United States person (as described below) of Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

#### Initial Settlement

All Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors’ interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect Participants in DTC. As a result, Clearstream Luxembourg and Euroclear will hold positions on behalf of their participants through their respective Relevant Depositories, which in turn will hold such positions in accounts as DTC Participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to prior mortgage loan asset backed certificates issues. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no “lock-up” or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

#### Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

***Trading Between DTC Participants.*** Secondary market trading between DTC Participants will be settled using the procedures applicable to prior mortgage loan asset backed certificates issues in same-day funds.

***Trading Between Clearstream Luxembourg and/or Euroclear Participants.*** Secondary market trading between Clearstream Luxembourg Participants or Euroclear Participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

***Trading Between DTC Seller and Clearstream Luxembourg or Euroclear Purchaser.*** When Global Securities are to be transferred from the account of a DTC Participant to the account of a Clearstream

Luxembourg Participant or a Euroclear Participant, the purchaser will send instructions to Clearstream Luxembourg or Euroclear through a Clearstream Luxembourg Participant or Euroclear Participant at least one business day prior to settlement. Clearstream Luxembourg or Euroclear will instruct the respective Relevant Depository, as the case may be, to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of either the actual number of days in such accrual period and a year assumed to consist of 360 days or a 360-day year of twelve 30-day months as applicable to the related class of Global Securities. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective Relevant Depository of the DTC Participant's account against delivery of the Global Securities. After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream Luxembourg Participant's or Euroclear Participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the Global Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream Luxembourg or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream Luxembourg Participants and Euroclear Participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream Luxembourg or Euroclear. Under this approach, they may take on credit exposure to Clearstream Luxembourg or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream Luxembourg or Euroclear has extended a line of credit to them, Clearstream Luxembourg Participants or Euroclear Participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream Luxembourg Participants or Euroclear Participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities were credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream Luxembourg Participant's or Euroclear Participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for sending Global Securities to the respective European Depository for the benefit of Clearstream Luxembourg Participants or Euroclear Participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants a cross-market transaction will settle no differently than a trade between two DTC Participants.

***Trading between Clearstream Luxembourg or Euroclear Seller and DTC Purchaser.*** Due to time zone differences in their favor, Clearstream Luxembourg Participants and Euroclear Participants may employ their customary procedures for transactions in which Global Securities are to be transferred by the respective clearing system, through the respective Relevant Depository, to a DTC Participant. The seller will send instructions to Clearstream Luxembourg or Euroclear through a Clearstream Luxembourg Participant or Euroclear Participant at least one business day prior to settlement. In these cases Clearstream Luxembourg or Euroclear will instruct the respective Relevant Depository, as appropriate, to deliver the Global Securities to the DTC Participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date on the basis of either the actual number of days in such accrual period and a year assumed to consist of 360 days or a 360-day year of twelve 30-day months as applicable to the related class of Global Securities. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream Luxembourg Participant or Euroclear Participant the following day, and receipt of the cash proceeds in the Clearstream Luxembourg Participant's or



Euroclear Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream Luxembourg Participant or Euroclear Participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Luxembourg Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream Luxembourg or Euroclear and that purchase Global Securities from DTC Participants for delivery to Clearstream Luxembourg Participants or Euroclear Participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- (a) borrowing through Clearstream Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;

- (b) borrowing the Global Securities in the U.S. from a DTC Participant no later than one day prior to the settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream Luxembourg or Euroclear account in order to settle the sale side of the trade; or

- (c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream Luxembourg or Euroclear Participant.

#### **Certain U.S. Federal Income Tax Documentation Requirements**

A holder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986 holding a book-entry certificate through Clearstream, Euroclear or DTC may be subject to U.S. withholding tax at a rate of 30% unless such holder provides certain documentation to the Trustee or to the U.S. entity required to withhold tax (the "U.S. withholding agent") establishing an exemption from withholding. A holder that is not a United States person may be subject to 30% withholding unless:

- I. the Trustee or the U.S. withholding agent receives a statement —

- (a) from the holder on Internal Revenue Service ("IRS") Form W-8BEN (or any successor form) that —

- (i) is signed by the holder under penalties of perjury,

- (ii) certifies that such owner is not a United States person, and

- (iii) provides the name and address of the holder, or

- (b) from a securities clearing organization, a bank or other financial institution that holds customers' securities in the ordinary course of its trade or business that —

- (i) is signed under penalties of perjury by an authorized representative of the financial institution,

- (ii) states that the financial institution has received an IRS Form W-8BEN (or any successor form) from the holder or that another financial institution acting on behalf of the holder has received such IRS Form W-8BEN (or any successor form),

- (iii) provides the name and address of the holder, and

- II. attaches the IRS Form W-8BEN (or any successor form) provided by the holder;

III. the holder claims an exemption or reduced rate based on a treaty and provides a properly executed IRS Form W-8BEN (or any successor form) to the Trustee or the U.S. withholding agent;

IV. the holder claims an exemption stating that the income is effectively connected to a U.S. trade or business and provides a properly executed IRS Form W-8ECI (or any successor form) to the Trustee or the U.S. withholding agent; or

V. the holder is a “nonwithholding partnership” and provides a properly executed IRS Form W-8IMY (or any successor form) with all necessary attachments to the Trustee or the U.S. withholding agent. Certain pass-through entities that have entered into agreements with the Internal Revenue Service (for example “qualified intermediaries”) may be subject to different documentation requirements; it is recommended that such holders consult with their tax advisors when purchasing the Certificates.

A holder holding book-entry certificates through Clearstream or Euroclear provides the forms and statements referred to above by submitting them to the person through which he holds an interest in the book-entry certificates, which is the clearing agency, in the case of persons holding directly on the books of the clearing agency. Under certain circumstances a Form W-8BEN, if furnished with a taxpayer identification number, (“TIN”), will remain in effect until the status of the beneficial owner changes, or a change in circumstances makes any information on the form incorrect. A Form W-8BEN, if furnished without a TIN, and a Form W-8ECI will remain in effect for a period starting on the date the form is signed and ending on the last day of the third succeeding calendar year, unless a change in circumstances makes any information on the form incorrect.

In addition, all holders holding book-entry certificates through Clearstream, Euroclear or DTC may be subject to backup withholding unless the holder:

I. provides a properly executed IRS Form W-8BEN, Form W-8ECI or Form W-8IMY(or any successor forms) if that person is not a United States person;

II. provides a properly executed IRS Form W-9 (or any substitute form) if that person is a United States person; or

III. is a corporation, within the meaning of Section 7701(a) of the Internal Revenue Code of 1986, or otherwise establishes that it is a recipient exempt from United States backup withholding.

This summary does not deal with all aspects of federal income tax withholding or backup withholding that may be relevant to investors that are not “United States persons” within the meaning of Section 7701(a)(30) of the Internal Revenue Code. Such investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the book-entry certificates.

The term “United States person” means (1) a citizen or resident of the United States, (2) a corporation or partnership organized in or under the laws of the United States or any state or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), (3) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust, and (5) to the extent provided in regulations, certain trusts in existence on August 20, 1996 that are treated as United States persons prior to such date and that elect to continue to be treated as United States persons.

This summary does not deal with all aspects of U.S. federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

## ANNEX B

### Form of FASIT High Yield Interest Transfer Affidavit

STATE OF NEW YORK     )  
  ) ss.:  
COUNTY OF NEW YORK )

Re: Structured Asset Securities Corporation  
Pass-Through Certificates, Series 2002-AL1, [Class AIO], [Class APO]

The undersigned, being first duly sworn, deposes and says as follows:

1. The undersigned is the \_\_\_\_\_ of \_\_\_\_\_ (the "Purchaser"), a [corporation duly organized] and existing under the laws of \_\_\_\_\_, on behalf of which he [she] makes this affidavit in connection with the purchase of the above-referenced certificates (the "Certificates").

2. The Purchaser is a domestic C corporation other than (1) a corporation that is exempt from or not subject to income tax; (2) a regulated investment company or a real estate investment trust; (3) a REMIC; or (4) a subchapter T cooperative, and the Purchaser is an "eligible corporation" within the meaning of Section 860L(a)(2) of the Internal Revenue Code of 1986, as amended.

3. The Purchaser hereby acknowledges that, under the terms of the Trust Agreement (the "Trust Agreement") between Structured Asset Securities Corporation, as Depositor, and Wells Fargo Bank Minnesota, National Association, as Trustee, dated as of February 1, 2002, no transfer of the Certificates shall be permitted to be made to any person unless such transferee is the type of entity described in paragraph 2 above.

IN WITNESS WHEREOF, the Purchaser has caused this instrument to be executed on its behalf, pursuant to proper authority, by its duly authorized officer, duly attested, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Print Name of Purchaser

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_



## PROSPECTUS

# Structured Asset Securities Corporation

## Depositor

### Asset-Backed Certificates

### Asset-Backed Notes

(Issuable in Series)

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#### Each Trust Fund:

- may periodically issue asset-backed pass-through certificates or asset backed notes, in each case in one or more series with one or more classes; and
- will be established to hold assets transferred to it by Structured Asset Securities Corporation, including:
  - mortgage loans or participation interests in mortgage loans, including manufactured home loans;
  - mortgage backed certificates insured or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae; and/or
  - private mortgage backed certificates, as described in this prospectus; and
  - payments due on those mortgage loans and mortgage backed certificates.

The assets in your trust fund will be specified in the prospectus supplement for your trust fund, while the types of assets that may be included in a trust fund, whether or not included in your trust fund, are described in greater detail in this prospectus.

#### The Securities:

- will be offered for sale pursuant to a prospectus supplement;
- will evidence beneficial ownership of, or be secured by, the assets in the related trust fund and will be paid only from the trust fund assets described in this prospectus; and
- may have one or more forms of credit enhancement.

The securityholders will receive distributions of principal and interest that are dependent upon the rate of payments, including prepayments, on the mortgage loans, mortgage backed certificates and other assets in the trust fund.

The prospectus supplement will state whether the securities are expected to be classified as indebtedness and whether the trust will make a REMIC or FASIT election for federal income tax purposes.

The Attorney General of the State of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

Neither the Securities and Exchange Commission nor any state securities commission has approved these securities or determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

## LEHMAN BROTHERS

The date of this prospectus is February 25, 2002

## Description of the Securities

### General

The asset-backed certificates (the “Certificates”) of each series (including any class of certificates not offered hereby) will represent the entire beneficial ownership interest in the trust fund created pursuant to the related Agreement (as defined herein). A series of Securities may also include asset-backed notes (the “Notes,” and together with the Certificates, the “Securities”) that will represent indebtedness of the related trust fund and will be issued pursuant to an indenture See “The Agreements.”

Each series of Securities will consist of one or more classes of Securities, one or more of which may:

- accrue interest based on a variable or adjustable rate (“Floating Rate Securities”);
- provide for the accrual of interest, which is periodically added to the principal balance of the Securities, but on which no interest or principal is payable except during any periods specified in the prospectus supplement (“Compound Interest Securities”);
- be entitled to a greater percentage of interest on the Loans underlying or comprising the Primary Assets for the series than the percentage of principal on the Loans to which the Securities are entitled (“Interest Weighted Securities”);
- be entitled to a greater percentage of principal on the Loans underlying or comprising the Primary Assets for the series than the percentage of interest on the Loans to which the Securities are entitled (“Principal Weighted Securities”);
- not be entitled to principal until the earlier of the date specified in the prospectus supplement or the date on which the principal of all Securities of the series having an earlier Final Scheduled Distribution Date have been paid in full (“Planned Amortization Certificates” or “PACs”);
- be subordinate to one or more other classes of Securities in respect of receiving distributions of principal and interest, to the extent and under the circumstances specified in the prospectus supplement (“Subordinate Securities”); and/or
- be other types of Securities, as described in the prospectus supplement.

If specified in the prospectus supplement, distributions on one or more classes of a series of Securities may be limited to collections from a designated portion of the assets in the related trust fund (each portion of Assets, an “Asset Group”).

Each class of Securities offered by this prospectus and the prospectus supplement (the “Offered Securities”) will be issued in the minimum original principal amount or notional amount for Securities of each class specified in the prospectus supplement. The transfer of any Offered Securities may be registered, and those Securities may be exchanged, without the payment of any service charge. The classes of Securities of a series may be issued in fully registered, certificated form (“Definitive Securities”) or issued in book-entry form only (“Book-Entry Securities”) Book-Entry Securities in specified minimum denominations and integral multiples thereof, as provided in the prospectus supplement. See “— Book-Entry Registration.”

### Distributions on the Securities

#### *General*

Distributions on the Securities of each series will be made by or on behalf of the trustee from the Available Distribution Amount for that series, on each Distribution Date, as specified in the prospectus supplement. Distributions (other than the final distribution) will be made to the persons in whose names the Securities are registered on the close of business on the record date specified in the prospectus supplement. Payments will be made by check mailed to the registered owners at their addresses appearing on the Security Register, or by wire transfer (at the expense of the securityholder requesting payment by wire transfer) in

certain circumstances described in the prospectus supplement; *provided, however*, that the final distribution in retirement of a Security will be made only upon presentation and surrender of the Security at the corporate trust office of the trustee or as otherwise specified in the prospectus supplement. Advance notice of the final distribution on a Security will be mailed to the securityholders.

Distributions of interest on Securities entitled to receive interest will be made periodically at the intervals and Interest Rates specified or determined in accordance with the prospectus supplement. Interest on the Securities will be calculated on the basis of a 360-day year consisting of twelve 30-day months, unless the prospectus supplement specifies a different basis. Distributions of principal on each class of Securities in a series will be made on a *pro rata* or random lot basis among all of the Securities of the class, or as otherwise specified in the prospectus supplement.

The funds in the Distribution Account (together with any amounts transferred from any Reserve Fund or applicable credit support) may be insufficient to make the full distribution to securityholders on a Distribution Date. In this case, the funds available for distribution to the securityholders of each class will be distributed in accordance with their respective interests. However, as described in the prospectus supplement, holders of Securities will receive their current distributions and past amounts due but unpaid to them before holders of Subordinate Securities are paid (in each case, these amounts are calculated as described in the prospectus supplement). The difference between the amount that the securityholders would have received if there had been sufficient eligible funds available for distribution and the amount actually distributed will be included in the calculation of the amount that the securityholders are entitled to receive on the next Distribution Date.

For a description of the reports to be furnished to securityholders concerning a distribution, see “The Agreements — Reports to Securityholders.”

#### *Single Class Securities Generally*

With respect to a series of Securities that is not a Multi-Class Series, distributions on the Securities on each Distribution Date will generally be allocated to each Security entitled to payment on the basis of the undivided percentage interest (the “Percentage Interest”) evidenced by the Security, or on the basis of the Security’s outstanding principal amount or notional amount (subject to any subordination of the rights of any classes of Subordinate Securities to receive current distributions), as specified in the prospectus supplement. See “Subordinate Securities” below.

If the Primary Assets for a series of Securities have adjustable or variable interest rates, then the rate at which interest accrues on the principal balance of the Securities or on a class in the series (the “Interest Rate”) may also vary, due to changes in prevailing interest rates and due to prepayments on Loans comprising or underlying the Primary Assets. If the Primary Assets for a series have fixed interest rates, then the Interest Rate on Securities of a series may be fixed, or may vary, to the extent prepayments cause changes in the weighted average interest rate of the Primary Assets. If the Primary Assets have lifetime or periodic adjustment caps on their respective rates, then the Interest Rate on the Securities of the related series may also reflect those caps.

If specified in the prospectus supplement, a series of Securities may include one or more classes that are Interest Weighted Securities, Principal Weighted Securities, or both. Unless otherwise specified in the prospectus supplement, payments received from the Primary Assets will be allocated on the basis of the Percentage Interest of each class in the principal component of the distributions, the interest component of the distributions, or both, and will be further allocated on a *pro rata* basis among the Securities within each class. The method or formula for determining the Percentage Interest of a Security will be set forth in the prospectus supplement.

#### *Multi-Class Series*

A series of Securities may include Floating Rate Securities, Compound Interest Securities and Planned Amortization Certificates, and/or classes of Subordinate Securities and Senior Securities (a “Multi-Class Series”). For a series of Securities that is not a Multi-Class Series, each class is designated to receive a

particular portion of future principal or interest cash flows on the Primary Assets. This designation does not change over the term of the Securities unless the series has a subordination feature in one or more classes of Subordinate Securities that protects one or more classes of Senior Securities in the event of failure of timely payment of the Primary Assets. Unless otherwise specified in the prospectus supplement, each Security of a Multi-Class Series will have a principal amount or a notional amount and a specified Interest Rate (that may be zero). Interest distributions on a Multi-Class Series will be made on each Security entitled to an interest distribution on each Distribution Date at the Interest Rate specified in or determined in accordance with the prospectus supplement, to the extent funds are available in the Distribution Account, subject to any subordination of the rights of any classes of Subordinate Securities to receive current distributions. See “Subordinate Securities” below and “Credit Support — Subordinate Securities; Subordination Reserve Fund.”

Distributions of interest on Compound Interest Securities will begin only after the related accretion termination date specified in the prospectus supplement. On each Distribution Date on or before the accretion termination date, interest on the Compound Interest Securities accrues, and the amount of interest accrued is added on each Distribution Date to the principal balance of the Security. On each Distribution Date after the accretion termination date, interest distributions will be made on classes of Compound Interest Securities on the basis of the current Compound Value of the class. The “Compound Value” of a class of Compound Interest Securities equals the initial aggregate principal balance of the class, plus accrued and undistributed interest added to the class through the immediately preceding Distribution Date, less any principal distributions previously made to reduce the aggregate outstanding principal balance of the class.

A Multi-Class Series may also include one or more classes of Floating Rate Securities. The Interest Rate of a Floating Rate Security will be a variable or adjustable rate, which may be subject to a maximum floating rate, a minimum floating rate, or both, as specified in the prospectus supplement. For each class of Floating Rate Securities, the prospectus supplement will set forth the initial Floating Rate (or the method of determining it), the period during which the Floating Rate applies, and the formula, index, or other method by which the Floating Rate for each period will be determined.

Distributions of principal will be allocated among the classes of a Multi-Class Series in the order of priority and amount specified in the prospectus supplement. Generally, the “Principal Distribution Amount” for a Multi-Class Series on any Distribution Date will be equal to the sum of (1) the accrual distribution amount for any Compound Interest Securities, (2) the Minimum Principal Distribution Amount and (3) the percentage, if any, of the excess cash flow specified in the prospectus supplement. The “Minimum Principal Distribution Amount” is the amount, if any, by which the outstanding principal balance of the Securities of a series (before giving effect to any payment of principal on that Distribution Date) exceeds the aggregate value of the Primary Assets as of that Distribution Date.

#### *Subordinate Securities*

A series of Securities may include one or more classes of Subordinate Securities that provide some or all of the credit support for the Senior Securities in the series. The rights of holders of some classes of securities (the “Subordinate Securities”) to receive distributions will be subordinate in right and priority to the rights of holders of senior securities of the series (the “Senior Securities”) but only to the extent described in the prospectus supplement. If the Primary Assets are divided into separate Asset Groups, evidenced by separate classes, credit support may be provided by a cross-support feature. This feature requires that distributions be made to Senior Securities prior to making distributions on Subordinate Securities backed by assets in another Asset Group within the trust fund. Unless rated in one of the four highest rating categories by at least one nationally recognized statistical rating organization (each, a “Rating Agency”), Subordinate Securities will not be offered by this prospectus or the prospectus supplement. See “Credit Support — Subordinate Securities; Subordination Reserve Fund.”



## **Optional Termination**

If specified in the prospectus supplement for a series of Securities, the depositor, the servicer or master servicer, or any other designated entity may, at its option, purchase or direct the sale of a portion of the Primary Assets of the trust fund, or cause an early termination of the trust fund by repurchasing all of the Primary Assets from the trust fund or directing the sale of the Primary Assets. This termination may occur on a date on or after the date on which either (1) the Aggregate Asset Principal Balance of the Primary Assets is less than a specified percentage of the initial Aggregate Asset Principal Balance, or (2) the aggregate principal amount of the Securities (or of certain classes in a series) is less than a specified percentage of their initial aggregate principal amount, as described in the prospectus supplement.

- “Asset Principal Balance” means, for any Loan at the time of determination, its outstanding principal balance as of the Cut-off Date, reduced by all amounts distributed to securityholders (or used to fund the Subordination Reserve Fund, if any) and reported as allocable to principal payments on the Loan.
- “Aggregate Asset Principal Balance” means, at the time of determination, the aggregate of the Asset Principal Balances of all the Loans in a trust fund.

The optional termination described in this section will be in addition to terminations that may result from other events. See “The Agreements — Event of Default; Rights Upon Event of Default” and “— Termination.”

## **Optional Purchase of Securities**

The prospectus supplement for a series of Securities may provide that one or more classes of the series may be purchased, in whole or in part, at the option of the depositor, the servicer or master servicer, or another designated entity, at specified times and purchase prices, and under particular circumstances. Notice of any purchase must be given by the trustee prior to the optional purchase date, as specified in the prospectus supplement.

## **Other Purchases**

If specified in the prospectus supplement for a series, any class of Securities in the series may be subject to redemption, in whole or in part, at the request of the holders of that class or mandatory purchase by the depositor, the servicer or master servicer, or another designated entity. The terms and conditions of any redemption or mandatory purchase with respect to a class of Securities will be described in the prospectus supplement.

The depositor may also have the option to obtain for any series of Securities, one or more guarantees from a company or companies acceptable to the Rating Agencies. As specified in the prospectus supplement, these guarantees may provide for one or more of the following for any series of Securities:

- call protection for any class of Securities of a series;
- a guarantee of a certain prepayment rate of some or all of the Loans underlying the series; or
- certain other guarantees described in the prospectus supplement.

## **Book-Entry Registration**

### *General*

If provided for in the prospectus supplement, one or more classes of the Offered Securities of any series will be issued as Book-Entry Securities, and each of these classes will be represented by one or more single Securities registered in the name of a nominee for the depository, The Depository Trust Company (“DTC”) and, if provided in the prospectus supplement, additionally through Clearstream Banking, société anonyme (formerly Cedelbank) (referred to herein as “Clearstream”) or the Euroclear System (“Euroclear”) Each class of Book-Entry Securities will be issued in one or more certificates or notes, as the case may be, that equal the

initial principal amount of the related class of Offered Securities and will initially be registered in the name of Cede & Co.

No person acquiring an interest in a Book-Entry Security (each, a “Beneficial Owner”) will be entitled to receive a Definitive Security, except as set forth below under “— Definitive Securities.” Unless and until Definitive Securities are issued for the Book-Entry Securities under the limited circumstances described in the related prospectus supplement or this prospectus, all references to actions by securityholders with respect to the Book-Entry Securities will refer to actions taken by DTC, Clearstream or Euroclear upon instructions from their Participants (as defined below), and all references herein to distributions, notices, reports and statements to securityholders with respect to the Book-Entry Securities will refer to distributions, notices, reports and statements to DTC, Clearstream or Euroclear, as applicable, for distribution to Beneficial Owners by DTC in accordance with the procedures of DTC and if applicable, Clearstream and Euroclear.

Beneficial Owners will hold their Book-Entry Securities through DTC in the United States, or, if the Offered Securities are offered for sale globally, through Clearstream or Euroclear in Europe if they are participating organizations (“Participants”) of those systems. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include some other organizations. Indirect access to the DTC, Clearstream and Euroclear systems also is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (“Indirect Participants”).

#### *DTC*

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its Participants, some of which (and/or their representatives) own DTC, and facilitate the clearance and settlement of securities transactions between its Participants through electronic book-entry changes in their accounts, thereby eliminating the need for physical movement of securities. In accordance with its normal procedures, DTC is expected to record the positions held by each of its Participants in the Book-Entry Securities, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Securities will be subject to the rules, regulations and procedures governing DTC and its Participants as in effect from time to time.

#### *Clearstream*

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its Participants and facilitates the clearance and settlement of securities transactions between its Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in Clearstream in any of 28 currencies, including United States dollars. Clearstream provides to its Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Participants of Clearstream are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant of Clearstream, either directly or indirectly.

#### *Euroclear*

Euroclear was created in 1968 to hold securities for its Participants and to clear and settle transactions between its Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of 35 currencies, including United States dollars.

Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by the Brussels, Belgium office of JPMorgan Chase Bank (the “Euroclear Operator”), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the “Cooperative Corporation”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative Corporation. The Cooperative Corporation establishes policy for Euroclear on behalf of its Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Participant of Euroclear, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation that is a member bank of the Federal Reserve System, and is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific securities to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of its Participants, and has no record of or relationship with persons holding through Participants of Euroclear.

Clearstream and Euroclear will hold omnibus positions on behalf of their Participants through customers’ securities accounts in Clearstream’s and Euroclear’s names on the books of their respective depositaries which in turn will hold positions in customers’ securities accounts in the depositaries names on the books of DTC. Citibank will act as depositary for Clearstream and The Chase Manhattan Bank will act as depositary for Euroclear (individually the “Relevant Depositary” and collectively, the “European Depositaries”).

#### *Beneficial Ownership of Book-Entry Securities*

Except as described below, no Beneficial Owner will be entitled to receive a physical certificate representing a Certificate or a Note. Unless and until Definitive Securities are issued, it is anticipated that the only “securityholder” of the Offered Securities will be Cede & Co., as nominee of DTC. Beneficial Owners will not be “Certificateholders” or “Noteholders” as those terms are used in the related Agreement. Beneficial Owners are only permitted to exercise their rights indirectly through Participants, DTC, Clearstream or Euroclear, as applicable.

The Beneficial Owner’s ownership of a Book-Entry Security will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a “Financial Intermediary”) that maintains the Beneficial Owner’s account for that purpose. In turn, the Financial Intermediary’s ownership of a Book-Entry Security will be recorded on the records of DTC (or of a Participant that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the Beneficial Owner’s Financial Intermediary is not a Participant of DTC and on the records of Clearstream or Euroclear, as appropriate).

Beneficial Owners will receive all distributions of principal of, and interest on, the Offered Securities from the trustee through DTC and its Participants. While the Offered Securities are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Offered Securities and is required to receive and transmit distributions of principal of, and interest on, the Offered Securities. Participants and Indirect Participants with whom Beneficial Owners have accounts with respect to Offered Securities are similarly required to make book-entry

transfers and receive and transmit distributions on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners will not possess certificates or notes, the Rules provide a mechanism by which Beneficial Owners will receive distributions and will be able to transfer their interest.

Beneficial Owners will not receive or be entitled to receive certificates or notes representing their respective interests in the Offered Securities, except under the limited circumstances described below. Unless and until Definitive Securities are issued, Beneficial Owners who are not Participants may transfer ownership of Offered Securities only through Participants and Indirect Participants by instructing the Participants and Indirect Participants to transfer Offered Securities, by book-entry transfer, through DTC for the account of the purchasers of the Offered Securities, which account is maintained with their respective Participants. Under the Rules and in accordance with DTC's normal procedures, transfer of ownership of Book-Entry Securities will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and Indirect Participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Beneficial Owners.

Because of time zone differences, any credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. These credits or any transactions in securities settled during this processing will be reported to the relevant Participants of Clearstream or Euroclear on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Participant of Clearstream or Euroclear to a Participant of DTC will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC. For information with respect to tax documentation procedures relating to the Securities, see "Material Federal Income Tax Considerations — REMICs — Taxation of Certain Foreign Investors," "— Grantor Trust Funds — Taxation of Certain Foreign Investors" and "— Partnership Trust Funds and Debt Securities — Tax Consequences to Foreign Securityholders" herein and, if the Book-Entry Securities are globally offered and the prospectus supplement so provides, see "Global Clearance, Settlement and Tax Documentation Procedures — Certain U.S. Federal Income Tax Documentation Requirements" in Annex I to the prospectus supplement.

Transfers between Participants of DTC will occur in accordance with DTC Rules. Transfers between Participants of Clearstream or Euroclear will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Participants of Clearstream or Euroclear, on the other, will be effected in DTC in accordance with the DTC Rules on behalf of the relevant European international clearing system by the Relevant Depository; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the Relevant Depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Participants of Clearstream or Euroclear may not deliver instructions directly to the European Depositories.

Distributions on the Book-Entry Securities will be made on each Distribution Date by the trustee to DTC. DTC will be responsible for crediting the amount of each distribution to the accounts of the applicable Participants of DTC in accordance with DTC's normal procedures. Each Participant of DTC will be responsible for disbursing the distribution to the Beneficial Owners of the Book-Entry Securities that it represents and to each Financial Intermediary for which it acts as agent. Each Financial Intermediary will be responsible for disbursing funds to the Beneficial Owners of the Book-Entry Securities that it represents.

Under a book-entry format, Beneficial Owners of the Book-Entry Securities may experience some delay in their receipt of payments, because the distributions will be forwarded by the trustee to Cede & Co. Any

distributions on Securities held through Clearstream or Euroclear will be credited to the cash accounts of Participants of Clearstream or Euroclear in accordance with the relevant system's rules and procedures, to the extent received by the Relevant Depository. These distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See "Material Federal Income Tax Considerations — REMICs — Taxation of Certain Foreign Investors," — "Grantor Trust Funds — Taxation of Certain Foreign Investors" and "— Partnership Trust Funds and Debt Securities — Tax Consequences to Foreign Securityholders" herein. Because DTC can only act on behalf of Financial Intermediaries, the ability of a Beneficial Owner to pledge Book-Entry Securities to persons or entities that do not participate in the depository system, or otherwise take actions in respect of Book-Entry Securities, may be limited due to the lack of physical securities for the Book-Entry Securities. In addition, issuance of the Book-Entry Securities in book-entry form may reduce the liquidity of the securities in the secondary market since certain potential investors may be unwilling to purchase Securities for which they cannot obtain physical securities.

Monthly and annual reports will be provided to Cede & Co., as nominee of DTC, and may be made available by Cede & Co. to Beneficial Owners upon request, in accordance with the rules, regulations and procedures creating and affecting the depository, and to the Financial Intermediaries to whose DTC accounts the Book-Entry Securities of Beneficial Owners are credited.

Generally, DTC will advise the applicable trustee that unless and until Definitive Securities are issued, DTC will take any action permitted to be taken by the holders of the Book-Entry Securities under the related Agreement, only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Securities are credited, to the extent that actions are taken on behalf of Financial Intermediaries whose holdings include the Book-Entry Securities. If the Book-Entry Securities are globally offered, Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a securityholder under the related Agreement, on behalf of a Participant of Clearstream or Euroclear only in accordance with its relevant rules and procedures and subject to the ability of the Relevant Depository to effect those actions on its behalf through DTC. DTC may take actions, at the direction of the related Participants, with respect to some Offered Securities that conflict with actions taken with respect to other Offered Securities.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Securities among Participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and the procedures may be discontinued at any time.

None of the depositor, any master servicer, any servicer, the trustee, any securities registrar or paying agent or any of their affiliates will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Securities or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

#### *Definitive Securities*

Securities initially issued in book-entry form will be issued as Definitive Securities to Beneficial Owners or their nominees, rather than to DTC or its nominee only (1) if DTC or the depositor advises the trustee in writing that DTC is no longer willing or able to properly discharge its responsibilities as depository for the Securities and the depositor is unable to locate a qualified successor, (2) if the depositor, at its option, elects to end the book-entry system through DTC or (3) in accordance with any other provisions described in the prospectus supplement.

Upon the occurrence of any of the events described in the immediately preceding paragraph, DTC is required to notify all Participants of the availability through DTC of Definitive Securities for the Beneficial Owners. Upon surrender by DTC of the security or securities representing the Book-Entry Securities, together with instructions for registration, the trustee will issue (or cause to be issued) to the Beneficial Owners identified in those instructions the Definitive Securities to which they are entitled, and thereafter the trustee will recognize the holders of those Definitive Securities as securityholders under the related Agreement.

## **Yield, Prepayment and Maturity Considerations**

### **Payment Delays**

With respect to any series, a period of time will elapse between receipt of payments or distributions on the Primary Assets and the Distribution Date on which the payments or distributions are paid to securityholders. This delay will effectively reduce the yield that would otherwise be obtained if payments or distributions were distributed on or near the date of receipt. The prospectus supplement will set forth an example of the timing of receipts and the distribution of collections to securityholders, so that the impact of this delay can be understood.

### **Principal Prepayments**

With respect to a series for which the Primary Assets consist of Loans or participation interests in Loans, when a Loan prepays in full, the borrower will generally be required to pay interest on the amount of the prepayment only to the prepayment date. In addition, the prepayment may not be required to be paid to securityholders until the month following receipt. The effect of these provisions is to reduce the aggregate amount of interest that would otherwise be available for distributions on the Securities. Therefore, the yield that would be obtained if interest continued to accrue on the Loan until the principal prepayment is paid to securityholders, is effectively reduced. To the extent specified in the prospectus supplement, this effect on yield may be mitigated by, among other things, an adjustment to the servicing fee otherwise payable to the master servicer or servicer with respect to prepaid Loans. Further, if the Interest Rate on a class of Securities in a series is based upon a weighted average of the interest rates on the Loans comprising or underlying the Primary Assets, interest on these Securities may be paid or accrued in the future at a rate lower than the initial interest rate, to the extent that Loans bearing higher rates of interest are prepaid more quickly than Loans bearing lower rates of interest. See “Servicing of Loans — Advances and Limitations Thereon.”

### **Timing of Reduction of Principal Amount**

A Multi-Class Series may provide that, for purposes of calculating interest distributions, the principal amount of the Securities is deemed reduced as of a date prior to the Distribution Date on which principal thereon is actually distributed. Consequently, the amount of interest accrued during any interest accrual period, as specified in the prospectus supplement, will be less than the amount that would have accrued on the actual principal amount of the Securities outstanding. The effect of these provisions is to produce a lower yield on the Securities than would be obtained if interest were to accrue on the Securities on the actual unpaid principal amount of the Securities to each Distribution Date. The prospectus supplement will specify the time at which the principal amounts of the Securities are determined or are deemed reduced for purposes of calculating interest distributions on Securities of a Multi-Class Series.

### **Interest or Principal Weighted Securities**

If a class of Securities consists of Interest Weighted Securities or Principal Weighted Securities, a lower rate of principal prepayments than anticipated will negatively affect yield to investors in Principal Weighted Securities, and a higher rate of principal prepayments than anticipated will negatively affect yield to investors in Interest Weighted Securities. The prospectus supplement will include a table showing the effect of various levels of prepayment on yields on these types of Securities. The tables will illustrate the sensitivity of yields to various prepayment rates and will not purport to predict, or provide information enabling investors to predict, yields or prepayment rates.

### **Final Scheduled Distribution Date**

The prospectus supplement will specify the Final Scheduled Distribution Date or Maturity Date for each class of a Multi-Class Series. The Maturity Date for each class of Notes is the date on which the principal of the class of Notes will be fully paid. The Final Scheduled Distribution Date for each class of Certificates is the date on which the entire aggregate principal balance of the class will be reduced to zero. These calculations will be based on the assumptions described in the prospectus supplement. Because prepayments

on the Loans underlying or comprising the Primary Assets will be used to make distributions in reduction of the outstanding principal amount of the Securities, it is likely that the actual maturity of the class will occur earlier, and may occur substantially earlier, than its Final Scheduled Distribution Date. Furthermore, with respect to the Certificates, as a result of delinquencies, defaults and liquidations of the assets in the trust fund, the actual final distribution date of any Certificate may occur later than its Final Scheduled Distribution Date.

### **Prepayments and Weighted Average Life**

Weighted average life refers to the average amount of time that will elapse from the date of issue of a security until each dollar of the principal of the security will be repaid to the investor. The weighted average life of the Securities of a series will be influenced by the rate at which principal on the Loans comprising or underlying the Primary Assets for the Securities is paid, which may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments, in whole or in part, and liquidations due to default).

The rate of principal prepayments on pools of housing loans is influenced by a variety of economic, demographic, geographic, legal, tax, social and other factors. The rate of prepayments of conventional housing loans has fluctuated significantly. In general, however, if prevailing interest rates fall significantly below the interest rates on the Loans comprising or underlying the Primary Assets for a series, those Loans are likely to prepay at rates higher than if prevailing interest rates remain at or above the interest rates borne by those Loans. It should be noted that the Loans comprising or underlying the Primary Assets for a series may have different interest rates, and the stated pass-through or interest rate of certain Primary Assets or the Interest Rate on the Securities may be a number of percentage points less than interest rates on the Loans. In addition, the weighted average life of the Securities may be affected by the varying maturities of the Loans comprising or underlying the Primary Assets. If any Loans comprising or underlying the Primary Assets for a series have actual terms-to-stated maturity less than those assumed in calculating the Final Scheduled Distribution Date of the related Securities, one or more classes of the series may be fully paid prior to their respective stated maturities.

Prepayments on loans are also commonly measured relative to a prepayment standard or model, such as the Constant Prepayment Rate (“CPR”) prepayment model or the Standard Prepayment Assumption (“SPA”) prepayment model, each as described below.

CPR represents a constant assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of loans for the life of the loans. SPA represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of loans. A prepayment assumption of 100% of SPA assumes prepayment rates of 0.2% per annum of the then outstanding principal balance of the loans in the first month of the life of the loans and an additional 0.2% per annum in each month thereafter until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the loans, 100% of SPA assumes a constant prepayment rate of 6% per annum each month.

Neither CPR nor SPA nor any other prepayment model or assumption purports to be a historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of loans, including the Loans underlying or comprising the Primary Assets. Thus, it is likely that prepayment of any Loans comprising or underlying the Primary Assets for any series will not conform to the FHA Prepayment Experience or to any level of CPR or SPA.

The prospectus supplement for each Multi-Class Series will describe the prepayment standard or model used to prepare any illustrative tables setting forth the weighted average life of each class of that series under a given set of prepayment assumptions. The prospectus supplement will also describe the percentage of the initial principal balance of each class of a series that would be outstanding on specified Distribution Dates for the series based on the assumptions stated in the prospectus supplement, including assumptions that prepayments on the Loans comprising or underlying the related Primary Assets are made at rates corresponding to various percentages of CPR or SPA or at such other rates specified in the prospectus supplement. These tables and assumptions are intended to illustrate the sensitivity of weighted average life of

the Securities to various prepayment rates and will not be intended to predict or to provide information that will enable investors to predict the actual weighted average life of the Securities or prepayment rates of the Loans comprising or underlying the related Primary Assets.

### **Other Factors Affecting Weighted Average Life**

#### *Type of Loan*

Mortgage Loans secured by multifamily residential rental property or cooperatively owned multifamily property consisting of five or more dwelling units (“Multifamily Properties”) may have provisions that prevent prepayment for a number of years and may provide for payments of interest only during a certain period followed by amortization of principal on the basis of a schedule extending beyond the maturity of the related Mortgage Loan. ARMs, Bi-weekly Loans, GEM Loans, GPM Loans or Buy-Down Loans comprising or underlying the Primary Assets may experience a rate of principal prepayments that is different from the principal prepayment rate for ARMs, Bi-weekly Loans, GEM Loans and GPM Loans included in any other mortgage pool or from Conventional fixed rate Loans or from other adjustable rate or graduated equity mortgages having different characteristics. There can be no assurance as to the respective rates of prepayment of these Loans in either stable or changing interest rate environments.

In the case of a Negatively Amortizing ARM, if interest rates rise without a simultaneous increase in the related scheduled payment of principal and interest (the “Scheduled Payment”), negative amortization may result or the amount of interest accrued on the Stated Principal Balance thereof may exceed the amount of interest paid by the mortgagor in any month (such excess, “Deferred Interest”). However, borrowers may pay amounts in addition to their Scheduled Payments in order to avoid negative amortization and to increase tax deductible interest payments.

To the extent that any of Mortgage Loans negatively amortize over their respective terms, future interest accruals are computed on the higher outstanding principal balance of the Mortgage Loan and a smaller portion of the Scheduled Payment is applied to principal than would be required to amortize the unpaid principal over its remaining term. Accordingly, the weighted average life of the Mortgage Loans will increase.

In a declining interest rate environment, the portion of each Scheduled Payment in excess of the scheduled interest and principal due will be applied to reduce the outstanding principal balance of the related Mortgage Loan, thereby resulting in accelerated amortization of the ARM. Any such acceleration in amortization of the principal balance of any Negatively Amortizing ARM will shorten the weighted average life of the Mortgage Loan. The application of partial prepayments to reduce the outstanding principal balance of a Negatively Amortizing ARM will tend to reduce the weighted average life of the Mortgage Loan and will adversely affect the yield to holders who purchased their Securities at a premium, if any, and holders of classes of Interest Weighted Securities. The pooling of Negatively Amortizing ARMs having Rate Adjustment Dates in different months, together with different initial interest rates borne by the Loans (“Mortgage Rates”), Lifetime Mortgage Rate Caps, Minimum Mortgage Rates and stated maturity dates, could result in some Negatively Amortizing ARMs that comprise or underlie the Primary Assets experiencing negative amortization while the amortization of other Negatively Amortizing ARMs may be accelerated.

If the Loans comprising or underlying the Primary Assets for a series include ARMs that permit the borrower to convert to a long-term fixed interest rate loan, the master servicer, servicer, or PMBS Servicer, as applicable, may, if specified in the prospectus supplement, be obligated to repurchase any Loan so converted. Any such conversion and repurchase would reduce the average weighted life of the Securities of the related series.

A GEM Loan provides for scheduled annual increases in the borrower’s Scheduled Payment. Because the additional portion of the Scheduled Payment is applied to reduce the unpaid principal balance of the GEM Loan, the stated maturity of a GEM Loan will be significantly shorter than the 25 to 30 year term used as the basis for calculating the installments of principal and interest applicable until the first adjustment date.



The prepayment experience with respect to Manufactured Home Loans will generally not correspond to the prepayment experience on other types of housing loans. Even though some Manufactured Home Loans may be FHA Loans, no statistics similar to those describing the FHA experience above are available with respect to Manufactured Home Loans.

In the case of Mortgage Loans that do not require the borrowers to make payments of principal or interest until the occurrence of certain maturity events, the Mortgage Loans will generate enough cash to pay interest and principal on the Securities of the related series only if specified maturity events occur with sufficient frequency and relative regularity. There can be no assurance regarding the rate and timing of the occurrence of maturity events with respect to these Mortgage Loans.

#### *Foreclosures and Payment Plans*

The number of foreclosures and the principal amount of the Loans comprising or underlying the Primary Assets that are foreclosed in relation to the number of Loans that are repaid in accordance with their terms will affect the weighted average life of the Loans comprising or underlying the Primary Assets and that of the related series of Securities. Servicing decisions made with respect to the Loans, including the use of payment plans prior to a demand for acceleration and the restructuring of Loans in bankruptcy proceedings, may also have an impact upon the payment patterns of particular Loans. In particular, the return to holders of Securities who purchased their Securities at a premium, if any, and the return on a class of Interest Weighted Securities may be adversely affected by servicing policies and decisions relating to foreclosures.

#### *Due on Sale Clauses*

The acceleration of repayment as a result of certain transfers of the real property securing a Mortgage Loan (the “Mortgaged Property”) is another factor affecting prepayment rates, and is a factor that is not reflected in the FHA experience. While each of the Mortgage Loans included in the FHA statistics is assumable by a purchaser of the underlying mortgaged property, the Loans constituting or underlying the Primary Assets may include “due-on-sale” clauses. Except as otherwise described in the prospectus supplement for a series, the PMBS Servicer of Loans underlying Private Mortgage-Backed Securities and the master servicer or the servicer of Loans constituting the Primary Assets for a series will be required, to the extent it knows of any conveyance or prospective conveyance of the related residence by any borrower, to enforce any “due-on-sale” clause applicable to the related Loan under the circumstances and in the manner it enforces due-on-sale clauses with respect to other similar loans in its portfolio. FHA Loans and VA Loans are not permitted to contain “due-on-sale” clauses and are freely assumable by qualified persons. However, as homeowners move or default on their housing loans, the Mortgaged Property is generally sold and the loans prepaid, even though, by their terms, the loans are not “due-on-sale” and could have been assumed by new buyers.

#### *Optional Termination*

If specified in the prospectus supplement, any designated entity may cause an early termination of the trust fund by repurchasing the remaining Primary Assets in the Trust Fund, or may purchase Securities of certain classes. See “Description of the Securities — Optional Termination.”

## The Trust Funds

### General

The Notes will be secured by a pledge of the assets of the trust fund, or an individual Asset Group, and the Certificates will represent beneficial ownership interests in the assets of the trust fund, or an individual Asset Group, each as specified in the prospectus supplement. The Securities will be non-recourse obligations of the trust fund. Holders of the Notes may only proceed against the assets of the trust fund as collateral in the case of a default, and then only to the extent provided in the indenture, and may not proceed against any assets of the depositor or its affiliates, or assets of the trust fund not pledged to secure the Notes.

The trust fund for each series of Securities will be held by the trustee for the benefit of the related securityholders, and will consist of:

- amounts due and payable with respect to the Primary Assets as of the cut-off date designated in the prospectus supplement (the “Cut-off Date”);
- amounts held from time to time in the Collection Account and the Distribution Account established for a series of Securities;
- Mortgaged Properties that secured a Mortgage Loan and that are acquired on behalf of the securityholders by foreclosure, deed in lieu of foreclosure or repossession;
- any Reserve Fund established pursuant to the Agreement for a series of Securities, if specified in the prospectus supplement;
- any Servicing Agreements relating to Mortgage Loans in the trust fund, to the extent that these agreements are assigned to the trustee;
- any primary mortgage insurance policies, FHA insurance, or VA guarantee relating to Mortgage Loans in the trust fund;
- any pool insurance policy, special hazard insurance policy, bankruptcy bond or other credit support relating to the series;
- investments held in any fund or account or any guaranteed investment contract and income from the reinvestment of these funds, if specified in the prospectus supplement; and
- any other asset, instrument or agreement relating to the trust fund and specified in the prospectus supplement (which may include an interest rate swap agreement or an interest rate cap agreement or similar agreement).

The prospectus supplement may specify that a certain amount or percentage of a Primary Asset will not be sold by the depositor or seller of the Primary Asset, but will be retained by that party (the “Retained Interest”). Therefore, amounts received with respect to a Retained Interest in an Agency Certificate, a Private Mortgage-Backed Security or a Loan comprising the Primary Assets for a series will not be included in the trust fund but will be payable to the seller of the respective asset, or to the master servicer (if any), servicer, depositor or another party, free and clear of the interest of securityholders under the Agreements.

The “Primary Assets” in the trust fund for a series of Securities may consist of any combination of the following, to the extent and as specified in the prospectus supplement:

- Ginnie Mae certificates (which may be Ginnie Mae I certificates or Ginnie Mae II certificates);
- Fannie Mae certificates;
- Freddie Mac certificates;

- mortgage pass-through certificates representing a fractional, undivided interest in Loans or collateralized mortgage obligations secured by Loans (“Private Mortgage-Backed Securities”);
- Mortgage Loans or participation interests in Mortgage Loans; and
- Manufactured Home Loans or participation interests in Manufactured Home Loans.

To the extent provided in the related prospectus supplement, a trust fund that primarily consists of Mortgage Loans may also include loans (“Assistance Loans”) made by the United States Small Business Administration or other government agency to borrowers who have incurred property damage or loss in connection with a federally recognized disaster. As specified in the related prospectus supplement, Assistance Loans may be secured by senior or junior liens on collateral of the types described in the prospectus supplement, or unsecured. Assistance Loans may have fixed or adjustable interest rates, may require repayment monthly or at other intervals, and have other payment characteristics as described in the related prospectus supplement. Additional information regarding Assistance Loans, to the extent material to prospective investors, will be provided in the related prospectus supplement. Such information will include, among other things, the weighted average principal balances, interest rates and terms to maturity of the Assistance Loans, collateral types and lien priority (if applicable), and geographic concentration.

Mortgage Loans, Manufactured Home Loans and Assistance Loans are referred to in this prospectus as “Loans.” Ginnie Mae certificates, Fannie Mae certificates and Freddie Mac certificates are referred to in this prospectus as “Agency Certificates.”

Private Mortgage-Backed Securities will evidence a beneficial ownership interest in underlying assets that will consist of Agency Certificates or Loans. Participation interests in a Loan or a loan pool will be purchased by the depositor, or an affiliate, pursuant to a participation agreement (a “Participation Agreement”). The interest acquired by the depositor under the Participation Agreement will be evidenced by a participation certificate. The trustee will be the holder of a participation certificate. Loans that comprise the Primary Assets will be purchased by the depositor directly or through an affiliate in the open market or in privately negotiated transactions. Some, none or all of the Loans may have been originated by an affiliate of the depositor. See “The Agreements — Assignment of Primary Assets.”

## **Ginnie Mae Certificates**

### *General*

The Ginnie Mae certificates will be “fully modified pass-through” mortgage-backed certificates issued and serviced by Ginnie Mae-approved issuers of Ginnie Mae certificates (the “Ginnie Mae Servicers”) under the Ginnie Mae I and/or the Ginnie Mae II program. The full and timely payment of principal of and interest on the Ginnie Mae certificates is guaranteed by Ginnie Mae, which obligation is backed by the full faith and credit of the United States of America. The Ginnie Mae certificates will be based on and backed by a pool of eligible mortgage loans and will provide for the payment by or on behalf of the Ginnie Mae Servicer to the registered holder of the Ginnie Mae certificate of monthly payments of principal and interest equal to the aggregated amount of the monthly constant principal and interest payments on each mortgage loan, less servicing and guarantee fees aggregating the excess of the interest on the mortgage loans over the Ginnie Mae certificate’s pass-through rate. Each repayment to a holder of a Ginnie Mae certificate will include pass-through payments of any prepayments of principal of the mortgage loans underlying the Ginnie Mae certificate and the remaining principal balance in the event of a foreclosure or other disposition of a mortgage loan.

The Ginnie Mae certificates do not constitute a liability of, or evidence any recourse against, the Ginnie Mae Servicer, the depositor or any affiliate of the depositor, and the only recourse of a registered holder, such as the trustee or its nominee, is to enforce the guarantee of Ginnie Mae.

Ginnie Mae approves the issuance of each Ginnie Mae certificate in accordance with a guaranty agreement (the “Guaranty Agreement”) between Ginnie Mae and the Ginnie Mae Servicer of the Ginnie Mae

certificate. Pursuant to the Guaranty Agreement, the Ginnie Mae Servicer is required to advance its own funds in order to make timely payments of all amounts due on the Ginnie Mae certificate, whether or not the payments received by the Ginnie Mae Servicer on the underlying mortgage loans equal the amounts due on the Ginnie Mae certificate. If a Ginnie Mae Servicer is unable to make a payment as it becomes due, it must promptly notify Ginnie Mae and request Ginnie Mae to make the payment. Upon notification and request, Ginnie Mae will make payments directly to the registered holder of the Ginnie Mae certificate. In the event no payment is made by a Ginnie Mae Servicer and the Ginnie Mae Servicer fails to notify and request Ginnie Mae to make a payment, the holder of the Ginnie Mae certificate has recourse only against Ginnie Mae to obtain the payment. The trustee or its nominee, as registered holder of the Ginnie Mae certificates, may proceed directly against Ginnie Mae under the terms of any Ginnie Mae certificate or the Guaranty Agreement relating to the Ginnie Mae certificate for any amounts that are not paid under the Ginnie Mae certificate.

Monthly installment payments on a Ginnie Mae certificate will be comprised of interest due as specified on the Ginnie Mae certificate plus the scheduled principal payments on the mortgage loans backing the Ginnie Mae certificate due on the first day of the month in which the scheduled monthly installment on the Ginnie Mae certificate is due. The monthly installments on the Ginnie Mae certificate will be paid each month to the trustee or its nominee as registered holder. In addition, any principal prepayments or any other early recovery of principal on the mortgage loans backing the Ginnie Mae certificate received during any month will be passed through to the registered holder of the Ginnie Mae certificate the following month.

With respect to Ginnie Mae certificates issued under the Ginnie Mae I program, the Ginnie Mae Servicer must make scheduled monthly payments of principal and interest, plus pass-throughs of prepayments of principal and proceeds of foreclosures and other dispositions of the mortgage loans, to registered holders no later than the fifteenth day of each month. Ginnie Mae certificates issued under the Ginnie Mae II program provide for payments to be mailed to registered holders by Chemical Bank, as paying agent, no later than the twentieth day of each month. A further difference between the two programs is that, under the Ginnie Mae I program single issuer approach, an individual Ginnie Mae issuer assembles a pool of mortgages against which it issues and markets Ginnie Mae I certificates while, under the Ginnie Mae II program, multiple issuer pools may be formed through the aggregation of loan packages of more than one Ginnie Mae issuer. Under this option, packages submitted by various Ginnie Mae issuers for a particular issue date and interest rate are aggregated into a single pool that backs a single issue of Ginnie Mae II certificates. However, single issuer pools may be formed under the Ginnie Mae II program as well.

#### *The Underlying Mortgage Loans*

Unless otherwise specified in the prospectus supplement, mortgage loans underlying the Ginnie Mae certificates included in the trust fund for a series will consist of FHA Loans and/or housing loans partially guaranteed by the VA ("VA Loans"), all of which are assumable by a purchaser. Ginnie Mae certificates securing a series may be backed by level payment mortgage loans, Ginnie Mae Loans, GEM Loans or Buy-Down Loans or adjustable rate mortgage loans or other mortgage loans eligible for inclusion in a Ginnie Mae certificate. The mortgage loans may be secured by Manufactured Homes, Single Family Property or Multifamily Property.

All mortgages underlying any Ginnie Mae certificate issued under the Ginnie Mae I program must have the same annual interest rate (except for pools of loans secured by manufactured homes). The annual interest rate on such Ginnie Mae certificate is equal to one-half percentage point less than the annual interest rate on the mortgage loans backing the Ginnie Mae certificate.

Mortgages underlying a Ginnie Mae certificate issued under the Ginnie Mae II program may have annual interest rates that vary from each other by up to one percentage point. The annual interest rate on each Ginnie Mae II certificate is between one-half percentage point and one and one-half percentage points less than the highest annual interest rate on the mortgage loans included in the pool of mortgages backing the Ginnie Mae certificate.

The Ginnie Mae certificates included in the trust fund for a series may have other characteristics and terms different from those described above, so long as the Ginnie Mae certificates and underlying mortgage loans meet the criteria of each Rating Agency rating the Securities of that series. The Ginnie Mae certificates and underlying mortgage loans will be described in the prospectus supplement.

#### *Ginnie Mae*

The Government National Mortgage Association (“Ginnie Mae”) is a wholly owned corporate instrumentality of the United States of America. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the “Housing Act”) authorizes Ginnie Mae to guarantee the timely payment of the principal of and the interest on Ginnie Mae certificates, which are based on and backed by a pool of mortgages insured by the Federal Housing Administration, a division of HUD (“FHA”) under the Housing Act or Title V of the Housing Act of 1949, or partially guaranteed by the Veterans Administration (“VA”) under the Servicemen’s Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code, or by other eligible mortgage loans.

Section 306(g) of the Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guaranty under this subsection.” To meet its obligations under the guarantees, Ginnie Mae may, under Section 306(d) of the Housing Act, borrow from the United States Treasury an amount that is at any time sufficient to enable Ginnie Mae, with no limitations as to amount, to perform its obligations under its guarantee.

### **Fannie Mae Certificates**

#### *General*

Fannie Mae certificates are either Guaranteed Mortgage Pass-Through Certificates, Stripped Mortgage Backed Securities or Guaranteed REMIC Pass-Through Certificates. Fannie Mae certificates represent fractional undivided interests in a pool of mortgage loans formed by Fannie Mae. Unless otherwise specified in the prospectus supplement, each pool consists of mortgage loans secured by a first lien on a one-to-four-family residential property. Mortgage loans comprising a pool are either provided by Fannie Mae from its own portfolio or purchased pursuant to the criteria set forth under the Fannie Mae purchase program.

Fannie Mae guarantees to each holder of a Fannie Mae certificate that it will distribute amounts representing scheduled principal and interest (at the rate provided for by the Fannie Mae certificate) on the mortgage loans in the pool represented by the Fannie Mae certificate, whether or not received, and the holder’s proportionate share of the full principal amount of any foreclosed or other finally liquidated mortgage loan, whether or not the principal amount is actually recovered. The obligations of Fannie Mae under its guarantees are obligations solely of Fannie Mae and are neither backed by nor entitled to the full faith and credit of the United States of America. If Fannie Mae were unable to satisfy those obligations, distributions on Fannie Mae certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, delinquencies and defaults would affect monthly distributions on the Fannie Mae certificates and could adversely affect the payments on the Securities of a series secured by the Fannie Mae certificates.

Unless otherwise specified in the prospectus supplement, Fannie Mae certificates evidencing interests in pools formed on or after May 1, 1985 (other than Fannie Mae certificates backed by pools containing GPM Loans or mortgage loans secured by multifamily projects) will be available in book-entry form only. Distributions of principal of and interest on each Fannie Mae certificate will be made by Fannie Mae on the twenty-fifth day of each month to the persons in whose name the Fannie Mae certificates are entered in the books of the Federal Reserve Bank of New York (or registered on the Fannie Mae certificate register in the case of fully registered Fannie Mae certificates) as of the close of business on the last day of the preceding month. With respect to Fannie Mae certificates issued in book-entry form, distributions will be made by wire; with respect to Fannie Mae certificates issued in fully registered form, distributions will be made by check.

### *The Underlying Mortgage Loans*

Unless otherwise specified in the prospectus supplement for a series of Securities, mortgage loans underlying Fannie Mae certificates in the trust fund for a series will consist of:

- fixed-rate level payment mortgage loans that are not insured or guaranteed by any governmental agency (“Conventional Loans”);
- fixed-rate level payment FHA Loans or VA Loans;
- adjustable rate mortgage loans;
- GEM Loans, Buy-Down Loans or GPM Loans; and
- mortgage loans secured by one-to-four family attached or detached residential housing, including Cooperative Dwellings (“Single Family Property”) or by Multifamily Property.

Each mortgage loan must meet the applicable standards set forth under the Fannie Mae purchase program. The original maturities of substantially all of the fixed rate level payment Conventional Mortgage Loans are expected to be between either eight to 15 years or 20 to 30 years. The original maturities of substantially all of the fixed rate level payment FHA Loans or VA Loans are expected to be 30 years.

Fannie Mae Stripped Mortgage Backed Securities are issued by Fannie Mae in series of two or more classes, with each class representing a specified undivided fractional interest in principal distributions and/or interest distributions (adjusted to the series pass-through rate) on the underlying pool of mortgage loans. The fractional interests of each class in principal and interest distributions are not identical, but the classes in the aggregate represent 100% of the principal distributions and interest distributions (adjusted to the series pass-through rate) on the respective pool. Because of the difference between the fractional interests in principal and interest of each class, the effective rate of interest on the principal of each class of Fannie Mae Stripped Mortgage Backed Securities may be significantly higher or lower than the series pass-through rate and/or the weighted average interest rate of the underlying mortgage loans. The Guaranteed REMIC Pass-Through Certificates are multiple-class pass-through certificates (representing beneficial interests in a pool consisting primarily of Fannie Mae or Ginnie Mae certificates) as to which Fannie Mae has elected REMIC status for federal income tax purposes.

Mortgage loans underlying a Fannie Mae certificate may have annual interest rates that vary by as much as two percentage points from each other. The rate of interest payable on a Fannie Mae certificate (and the series pass-through rate payable with respect to a Fannie Mae Stripped Mortgage Backed Security) is equal to the lowest interest rate of any mortgage loan in the related pool, less a specified minimum annual percentage representing servicing compensation and Fannie Mae’s guarantee fee. Under a regular servicing option (pursuant to which the mortgagee or other servicer assumes the risk of foreclosure losses), the annual interest rates on the mortgage loans underlying a Fannie Mae certificate will be between .50 and 2.50 percentage points greater than the annual interest rate for the Fannie Mae certificate (or the series pass-through rate payable with respect to a Fannie Mae Stripped Mortgage Backed Security), and, under a special servicing option (pursuant to which the mortgagee or other servicer is reimbursed by Fannie Mae for foreclosure losses), the annual interest rates on the mortgage loans underlying a Fannie Mae certificate will be between .55 and 2.55 percentage points greater than the annual Fannie Mae certificate interest rate (or the series pass-through rate payable with respect to a Fannie Mae Stripped Mortgage Backed Security).

The trust fund for a series of Securities may include Fannie Mae certificates having characteristics and terms different from those described above, so long as the Fannie Mae certificates and underlying mortgage loans meet the criteria of each Rating Agency rating the series. The Fannie Mae certificates and underlying mortgage loans will be described in the prospectus supplement.

### *Fannie Mae*

Fannie Mae (“Fannie Mae”) is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. Section 1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae provides funds to the mortgage market primarily by purchasing home mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase loans from any capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. Operating nationwide, Fannie Mae helps to redistribute mortgage funds from capital-surplus to capital-short areas. In addition, Fannie Mae issues mortgage backed securities, primarily in exchange for pools of mortgage loans from lenders. See “Additional Information” for the availability of further information with respect to Fannie Mae and Fannie Mae certificates.

### **Freddie Mac Certificates**

#### *General*

The Freddie Mac certificates represent an undivided interest in a group of mortgages or participations in mortgages (a “PC Pool”) purchased by Freddie Mac. Freddie Mac certificates are sold under the terms of a Mortgage Participation Certificate Agreement and may be issued under either Freddie Mac’s “Cash Program” or “Guarantor Program” or may be Multiclass Mortgage Participation Certificates (Guaranteed) representing multiple classes of certificates of beneficial interest in a pool consisting primarily of Freddie Mac certificates.

Under Freddie Mac’s Cash Program, with respect to PC Pools formed prior to June 1, 1987 there is no limitation on the amount by which interest rates on the mortgage loans underlying a Freddie Mac certificate may exceed the pass-through rate on the Freddie Mac certificate. With respect to Freddie Mac certificates issued on or after that date, the maximum interest rate on the mortgage loans underlying the Freddie Mac certificates cannot exceed the pass-through rate on the Freddie Mac certificates by more than two hundred basis points.

Under this program, Freddie Mac purchases groups of whole mortgage loans from a number of sellers at specified percentages of their unpaid principal balances, adjusted for accrued or prepaid interest, which, when applied to the interest rate of the mortgage loans and participations purchased, results in the yield (expressed as a percentage) required by Freddie Mac. The required yield, which includes a minimum servicing fee retained by the servicer, is calculated using the outstanding principal balance of the mortgage loans, an assumed term and a prepayment period as determined by Freddie Mac. No loan or participation is purchased by Freddie Mac at greater than 100% of the outstanding principal balance. The range of interest rates on the mortgage loans and participations in a PC Pool for a Freddie Mac certificate issued under the Cash Program will vary since mortgage loans and participations are purchased and assigned to a PC Pool based upon their yield to Freddie Mac rather than on the interest rate on the underlying mortgage loans. However, beginning with PC Pools formed on or after June 1, 1987, the range of interest rates on the mortgages in Cash Program PC Pools will not exceed 100 basis points.

Under Freddie Mac’s Guarantor Program, the pass-through rate on a Freddie Mac certificate is established based upon the lowest rate on the underlying mortgage loans, minus a minimum servicing fee and the amount of Freddie Mac’s management and guaranty income as agreed upon between the seller and Freddie Mac. For Freddie Mac certificate groups formed under the Guarantor Program, the range between the lowest and highest annual interest rates on the mortgage loans in a PC Pool may not exceed two hundred basis points, and beginning with PC Pools formed in December 1987 under the Guarantor Program, the range of the interest rates on the mortgage loans in a PC Pools will not exceed 100 basis points.

The Freddie Mac certificates will be guaranteed by Freddie Mac as to the timely payment of interest at the applicable Freddie Mac certificate rate on the holder’s *pro rata* share of the unpaid principal balance

outstanding on the underlying mortgage loans, whether or not received. Freddie Mac also guarantees payment of principal on the underlying mortgage loans, without any offset or deduction, to the extent of the registered holder's *pro rata* share thereof, but does not, except with respect to "Scheduled Principal" Freddie Mac certificates issued under the Guarantor Program, guarantee the timely payment of scheduled principal. Under Freddie Mac's Gold PC Program, Freddie Mac guarantees the timely payment of principal based on the difference between the pool factor published in the month preceding the month of distribution and the pool factor published in the month of distribution.

Pursuant to its guarantee, Freddie Mac indemnifies holders of Freddie Mac certificates against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure. Freddie Mac may remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage loan, but not later than:

- 30 days following foreclosure sale;
- 30 days following payment of the claim by any mortgage insurer; or
- 30 days following the expiration of any right of redemption.

In any event, Freddie Mac must remit the guarantee amount no later than one year after demand has been made upon the mortgagor for accelerated payment of principal. In taking actions regarding the collection of principal after default on the mortgage loans underlying Freddie Mac certificates, including the timing of demand for acceleration, Freddie Mac reserves the right to exercise its judgment with respect to the mortgage loans in the same manner as for mortgages that Freddie Mac has purchased but not sold. The length of time necessary for Freddie Mac to determine that a mortgage loan should be accelerated varies with the particular circumstances of each mortgagor, and Freddie Mac has not adopted servicing standards that require that the demand be made within any specified period.

Holders of Freddie Mac certificates are entitled to receive their *pro rata* share of all principal payments on the underlying mortgage loans received by Freddie Mac, including any scheduled principal payments, full and partial prepayments of principal and principal received by Freddie Mac by virtue of condemnation, insurance, liquidation or foreclosure, including repayments of principal resulting from acquisition by Freddie Mac of the real property securing the mortgage. Freddie Mac is required to remit to each holder its *pro rata* share of principal payments on the underlying mortgage loans, interest at an applicable Freddie Mac certificate rate and any other sums, such as prepayment fees, within 60 days of the date on which Freddie Mac is deemed to receive the payments.

Under Freddie Mac's Cash Program, there is no limitation on the amount by which interest rates on the mortgage loans underlying a Freddie Mac certificate may exceed the pass-through rate on the Freddie Mac certificate. Under this program, Freddie Mac purchases groups of whole mortgage loans from sellers at specified percentages of their unpaid principal balances, adjusted for accrued or prepaid interest, which when applied to the interest rate of the mortgage loans and participations purchased results in the yield (expressed as a percentage) required by Freddie Mac. The required yield, which includes a minimum servicing fee retained by the servicer, is calculated using the outstanding principal balance. The range of interest rates on the mortgage loans and participations in a Freddie Mac certificate group under the Cash Program will vary since mortgage loans and participations are purchased and assigned to a Freddie Mac certificate group based upon their yield to Freddie Mac rather than on the interest rate on the underlying mortgage loans. Under Freddie Mac's Guarantor Program, the pass-through rate on a Freddie Mac certificate is established based upon the lowest interest rate on the underlying mortgage loans, minus a minimum servicing fee and the amount of Freddie Mac's management and guarantee income as agreed upon between the seller and Freddie Mac.

Freddie Mac certificates are not guaranteed by, and do not constitute debts or obligations of, either the United States of America or any Federal Home Loan Bank. If Freddie Mac were unable to satisfy those obligations, distributions on Freddie Mac certificates would consist solely of payments and other recoveries on the underlying mortgage loans, and, accordingly, delinquencies and defaults would affect monthly



distributions on the Freddie Mac certificates and could adversely affect distributions on the Securities of the related series.

Requests for registration of ownership of Freddie Mac certificates made on or before the last business day of a month are made effective as of the first day of that month. With respect to Freddie Mac certificates sold by Freddie Mac on or after January 2, 1985, the Federal Reserve Bank of New York maintains book-entry accounts with respect thereto and makes payments of interest and principal each month to holders in accordance with the holders' instructions. The first payment to a holder of a Freddie Mac certificate will normally be received by the holder by the fifteenth day of the second month following the month in which the holder became a holder of the Freddie Mac certificate. Thereafter, payments will normally be received by the fifteenth day of each month.

#### *The Underlying Mortgage Loans*

Unless otherwise specified in the prospectus supplement, each PC Pool underlying the Freddie Mac certificates in the trust fund for a series will consist of first lien, fixed-rate, fully amortizing, conventional residential mortgages or participation interests therein. Unless otherwise specified in the prospectus supplement, all of the mortgage loans evidenced by a Freddie Mac certificate are conventional mortgages and therefore do not have the benefit of any guarantee or insurance by, and are not obligations of, the United States of America. All mortgages purchased by Freddie Mac must meet certain standards set forth in the Freddie Mac Act (as defined below).

The trust fund for a series may include Freddie Mac certificates having other characteristics and terms different from those described above, so long as the Freddie Mac certificates and the underlying mortgage loans meet the criteria of each Rating Agency rating the Securities of the series. The Freddie Mac certificates and underlying mortgage loans will be described in the prospectus supplement.

#### *Freddie Mac*

The Federal Home Loan Mortgage Corporation ("Freddie Mac") is a corporate instrumentality of the United States of America created pursuant to an Act of Congress (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. 1451-1459) on July 24, 1970 (the "Freddie Mac Act"). Freddie Mac was established primarily for the purpose of increasing the availability of mortgage credit for the financing of needed housing. It provides an enhanced degree of liquidity for residential mortgage investments primarily by assisting in the development of secondary markets for conventional mortgages. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgage loans and participation interests in mortgage loans from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities, primarily Freddie Mac certificates. In 1981, Freddie Mac initiated its Guarantor Program under which Freddie Mac purchases mortgages from sellers in exchange for Freddie Mac certificates representing interests in the mortgages so purchased. Transactions under the Guarantor Program have resulted in a significant increase in the volume of Freddie Mac's purchases of mortgages and sales of Freddie Mac certificates. All mortgage loans purchased by Freddie Mac must meet certain standards set forth in the Freddie Mac Act. Freddie Mac is confined to purchasing, so far as practicable, mortgage loans that it deems to be of such quality, type and class as to meet generally the purchase standards imposed by private institutional mortgage investors. See "Additional Information" for the availability of further information with respect to Freddie Mac and Freddie Mac certificates.

### **Private Mortgage-Backed Securities**

#### *General*

The trust fund for a series may consist of Private Mortgage-Backed Securities, which include:

- mortgage pass-through certificates, evidencing an undivided interest in a pool of Loans or Agency Certificates; or
- collateralized mortgage obligations secured by Loans or Agency Certificates.

Private Mortgage-Backed Securities are issued pursuant to a pooling and servicing agreement, a trust agreement, an indenture or similar agreement (a “PMBS Agreement”). The seller/servicer of the underlying Loans, or the issuer of the collateralized mortgage obligations, as the case may be, enters into the PMBS Agreement with the trustee under the PMBS Agreement (the “PMBS Trustee”). The PMBS Trustee or its agent, or a custodian, possesses the Loans underlying the Private Mortgage-Backed Security. Loans underlying a Private Mortgage-Backed Security are serviced by a servicer (the “PMBS Servicer”) directly or by one or more sub-servicers who may be subject to the supervision of the PMBS Servicer. The PMBS Servicer will generally be a Fannie Mae or Freddie Mac approved servicer and, if FHA Loans underlie the Private Mortgage-Backed Securities, will be approved by the United States Department of Housing and Urban Development (“HUD”) as an FHA mortgagee.

The issuer of the Private Mortgage-Backed Securities (the “PMBS Issuer”) will be a financial institution or other entity engaged generally in the business of mortgage lending; a public agency or instrumentality of a state, local or federal government; a limited purpose corporation or other entity organized for the purpose of, among other things, establishing trusts and acquiring and selling housing loans to the trusts, and selling beneficial interests in the trusts; or one of the trusts. If specified in the prospectus supplement, the PMBS Issuer may be an affiliate of the depositor. The obligations of the PMBS Issuer will generally be limited to certain representations and warranties with respect to the assets conveyed by it to the related trust. Unless otherwise specified in the prospectus supplement, the PMBS Issuer will not have guaranteed any of the assets conveyed to the related trust or any of the Private Mortgage-Backed Securities issued under the PMBS Agreement. Additionally, although the Loans underlying the Private Mortgage-Backed Securities may be guaranteed by an agency or instrumentality of the United States, the Private Mortgage-Backed Securities themselves will not be so guaranteed.

Distributions of principal and interest will be made on the Private Mortgage-Backed Securities on the dates specified in the prospectus supplement. The Private Mortgage-Backed Securities may be entitled to receive nominal or no principal distributions or nominal or no interest distributions. Principal and interest distributions will be made on the Private Mortgage-Backed Securities by the PMBS Trustee or the PMBS Servicer. The PMBS Issuer or the PMBS Servicer may have the right to repurchase assets underlying the Private Mortgage-Backed Securities after a certain date or under other circumstances specified in the prospectus supplement.

#### *Underlying Loans*

The Loans underlying the Private Mortgage-Backed Securities may consist of fixed rate, level payment, fully amortizing Loans or GEM Loans, GPM Loans, Buy-Down Loans, Bi-Weekly Loans, ARMs, or Loans having balloon or other irregular payment features. Loans may be secured by Single Family Property, Multifamily Property, Manufactured Homes, or, in the case of Cooperative Loans, by an assignment of the proprietary lease or occupancy agreement relating to a Cooperative Dwelling and the shares issued by the related cooperative. Except as otherwise specified in the prospectus supplement:

- no Loan will have had a Loan-to-Value Ratio at origination in excess of 95%;
- each Mortgage Loan secured by a Single Family Property and having a Loan-to-Value Ratio in excess of 80% at origination will be covered by a primary mortgage insurance policy;
- each Loan will have had an original term to stated maturity of not less than 10 years and not more than 40 years;
- no Loan that was more than 89 days delinquent as to the payment of principal or interest will have been eligible for inclusion in the assets under the related PMBS Agreement;
- each Loan (other than a Cooperative Loan) will be required to be covered by a standard hazard insurance policy (which may be a blanket policy); and

- each Loan (other than a Cooperative Loan or a Loan secured by a Manufactured Home) will be covered by a title insurance policy.

#### *Credit Support Relating to Private Mortgage-Backed Securities*

Credit support in the form of Reserve Funds, subordination of other private mortgage certificates issued under the PMBS Agreement, letters of credit, mortgage insurance, hazard insurance and other insurance policies (“Insurance Policies”) required to be maintained with respect to Securities, Loans, or Private Mortgage-Backed Securities or other types of credit support may be provided with respect to the Loans underlying the Private Mortgage-Backed Securities or with respect to the Private Mortgage-Backed Securities themselves. The type, characteristics and amount of credit support will depend on certain characteristics of the Loans and other factors and will have been established for the Private Mortgage-Backed Securities on the basis of requirements of the Rating Agency.

#### *Additional Information*

The prospectus supplement for a series of Securities for which the trust fund includes Private Mortgage-Backed Securities will specify, to the extent material:

- the aggregate approximate principal amount and type of the Agency Certificates and Private Mortgage-Backed Securities to be included in the trust fund;
- certain characteristics of the Agency Certificates or Loans that comprise the underlying assets for the Private Mortgage-Backed Securities including, (1) the payment features of Loans (i.e., whether they are fixed rate or adjustable rate and whether they provide for fixed level payments or other payment features), (2) the approximate aggregate principal balance, if known, of underlying Loans insured or guaranteed by a governmental entity, (3) the servicing fee or range of servicing fees with respect to the Loans, and (4) the minimum and maximum stated maturities of the underlying Loans at origination;
- the interest rate or range of interest rates of the Private Mortgage-Backed Securities;
- the weighted average interest rate of the Private Mortgage-Backed Securities;
- the PMBS Issuer, the PMBS Servicer and the PMBS Trustee for the Private Mortgage-Backed Securities;
- certain characteristics of credit support, if any, such as Reserve Funds, Insurance Policies, letters of credit or guarantees relating to the Loans underlying the Private Mortgage-Backed Securities or to the Private Mortgage-Backed Securities themselves;
- the terms on which the underlying Loans for the Private Mortgage-Backed Securities may, or are required to, be purchased prior to their stated maturity or the stated maturity of the Private Mortgage-Backed Securities; and
- the terms on which Loans may be substituted for those originally underlying the Private Mortgage-Backed Securities.

If information of the type described above regarding the Private Mortgage-Backed Securities or Agency Certificates is not known to the depositor at the time the Securities are initially offered, approximate or more general information of the nature described above will be provided in the prospectus supplement and any additional information will be set forth in a Current Report on Form 8-K to be available to investors on the date of issuance of the related series and to be filed with the Commission within 15 days after the initial issuance of the Securities.

## The Mortgage Loans

### *General*

The Primary Assets in a trust fund for a series of Securities may include mortgage loans or participation interests in mortgage loans (together, “Mortgage Loans”). Generally, the originators of the Mortgage Loans are savings and loan associations, savings banks, commercial banks, credit unions, insurance companies, or similar institutions supervised and examined by a Federal or State authority or by mortgagees approved by the Secretary of Housing and Urban Development pursuant to sections 203 and 211 of the National Housing Act. An affiliate of the depositor may have originated some of the Mortgage Loans.

The Mortgage Loans in a trust fund may be Conventional Loans, housing loans insured by the FHA (“FHA Loans”) or VA Loans, with the following interest rate and payment characteristics:

- fixed interest rate or adjustable interest rate Mortgage Loans;
- “GPM Loans,” which provide for fixed level payments or graduated payments, with an amortization schedule (1) requiring the mortgagor’s monthly installments of principal and interest to increase at a predetermined rate annually for a predetermined period after which the monthly installments become fixed for the remainder of the mortgage term, (2) providing for deferred payment of a portion of the interest due monthly during that period of time; or (3) providing for recoupment of the interest deferred through negative amortization, whereby the difference between the scheduled payment of interest on the mortgage note and the amount of interest actually accrued is added monthly to the outstanding principal balance of the mortgage note;
- “GEM Loans,” which are fixed rate, fully amortizing mortgage loans providing for monthly payments based on a 10- to 30-year amortization schedule, with further provisions for scheduled annual payment increases for a number of years with the full amount of those increases being applied to principal, and with further provision for level payments thereafter;
- Buy-Down Loans;
- “Bi-Weekly Loans,” which are fixed-rate, conventional, fully-amortizing Mortgage Loans secured by first mortgages on one-to-four family residential properties that provide for payments of principal and interest by the borrower once every two weeks; or
- Mortgage Loans with other payment characteristics as described in this prospectus and the prospectus supplement.

The Mortgage Loans may include:

- “Cooperative Loans,” which are evidenced by promissory notes secured by a lien on the shares issued by private, non-profit, cooperative housing corporations (“Cooperatives”) and on the related proprietary leases or occupancy agreements granting exclusive rights to occupy individual housing units in a building owned by a Cooperative (“Cooperative Dwellings”); or
- “Condominium Loans,” which are secured by a mortgage on an individual housing unit (a “Condominium Unit”) in which the owner of the real property (the “Condominium”) is entitled to the exclusive ownership and possession of his or her individual Condominium Unit and also owns a proportionate undivided interest in all parts of the Condominium Building (other than the individual Condominium Units) and all areas or facilities, if any, for the common use of the Condominium Units, together with the Condominium Unit’s appurtenant interest in the common elements.

Generally, the Mortgage Loans are secured by mortgages or deeds of trust or other similar security instruments creating a first lien or (if so specified in the prospectus supplement) a junior lien on Mortgaged Property. If specified in the prospectus supplement, the Mortgage Loans may be secured by security instruments creating a lien on borrowers’ leasehold interests in real property, if the depositor determines the

Mortgage Loans are commonly acceptable to institutional mortgage investors. A Mortgage Loan secured by a leasehold interest in real property is secured not by a fee simple interest in the Mortgaged Property but rather by a leasehold interest under which the mortgagor has the right, for a specified term, to use the related real estate and the residential dwelling or dwellings located on the real estate. Generally, a Mortgage Loan will be secured by a leasehold interest only if the use of leasehold estates as security for mortgage loans is customary in the area, the lease is not subject to any prior lien that could result in termination of the lease, and the term of the lease ends at least five years beyond the maturity date of the Mortgage Loan.

The Mortgaged Properties may include Single Family Properties (*i.e.*, one- to four-family residential housing, including Condominium Units and Cooperative Dwellings) or Multifamily Properties (*i.e.*, multifamily residential rental properties or cooperatively-owned properties consisting of five or more dwelling units). The Mortgaged Properties may consist of detached individual dwellings, townhouses, duplexes, triplexes, quadriplexes, row houses, individual units in planned unit developments and other attached dwelling units. Multifamily Property or Single Family Property may include mixed commercial and residential structures.

Each Single Family Property and Multifamily Property will be located on land owned in fee simple by the borrower or on land leased by the borrower for a term at least five years greater than the term of the related Mortgage Loan unless otherwise specified in the prospectus supplement. Attached dwellings may include owner-occupied structures where each borrower owns the land upon which the unit is built, with the remaining adjacent land owned in common or dwelling units subject to a proprietary lease or occupancy agreement in a cooperatively owned apartment building. The proprietary lease or occupancy agreement securing a Cooperative Loan is generally subordinate to any blanket mortgage on the related cooperative apartment building and/or on the underlying land. Additionally, in the case of a Cooperative Loan, the proprietary lease or occupancy agreement is subject to termination and the cooperative shares are subject to cancellation by the cooperative if the tenant-stockholder fails to pay maintenance or other obligations or charges owed to the Cooperative by the tenant-stockholder. See “Legal Aspects of Loans.”

The prospectus supplement will disclose the aggregate principal balance of Mortgage Loans secured by Mortgaged Properties that are owner-occupied. Unless otherwise specified in the prospectus supplement, the sole basis for a representation that a given percentage of the Mortgage Loans are secured by Single-Family Property that is owner-occupied will be either (1) a representation by the mortgagor at origination of the Mortgage Loan that either the borrower will use the underlying Mortgaged Property for a period of at least six months every year or that the borrower intends to use the Mortgaged Property as a primary residence, or (2) a finding that the address of the Mortgaged Property is the borrower’s mailing address, as reflected in the servicer’s records. To the extent specified in the prospectus supplement, the Mortgaged Properties may include non-owner occupied investment properties and vacation and second homes. Mortgage Loans secured by investment properties and Multifamily Property may also be secured by an assignment of leases and rents and operating or other cash flow guarantees relating to the Loans.

The characteristics of the Mortgage Loans comprising or underlying the Primary Assets for a series may vary if credit support is provided in levels satisfactory to the Rating Agencies that rate a series of Securities. Generally, unless otherwise specified in the prospectus supplement, the following selection criteria apply to Mortgage Loans included in the Primary Assets:

- no first lien Mortgage Loan may have a Loan-to-Value Ratio at origination in excess of 95%, and no second lien Mortgage Loan may have a Loan-to-Value Ratio at origination in excess of 125%;
- no first lien Mortgage Loan that is a Conventional Loan secured by a Single Family Property may have a Loan-to-Value Ratio in excess of 80%, unless covered by a primary mortgage insurance policy as described in this prospectus;
- each first lien Mortgage Loan must have an original term to maturity of not less than 10 years and not more than 40 years, and each second lien Mortgage Loan must have an original term to maturity of not less than 5 years and not more than 30 years;

- no Mortgage Loan may be included that, as of the Cut-off Date, is more than 59 days delinquent as to payment of principal or interest; and
- no Mortgage Loan (other than a Cooperative Loan) may be included unless a title insurance policy or, in lieu thereof, an attorney's opinion of title, and a standard hazard insurance policy (which may be a blanket policy) is in effect with respect to the Mortgaged Property securing the Mortgage Loan.

The initial "Loan-to-Value Ratio" of any Mortgage Loan represents the ratio of the principal amount of the Mortgage Loan outstanding at the origination of the loan divided by the fair market value of the Mortgaged Property, as shown in the appraisal prepared in connection with origination of the Mortgage Loan (the "Appraised Value"). In the case of a Mortgage Loan to finance the purchase of a Mortgaged Property, the fair market value of the Mortgaged Property is the lesser of the purchase price paid by the borrower or the Appraised Value of the Mortgaged Property.

Unless otherwise specified in the prospectus supplement, "Buy-Down Loans," which are level payment Mortgage Loans for which funds have been provided by a person other than the mortgagor to reduce the mortgagor's Scheduled Payment during the early years of the Mortgage Loan, are also generally subject to the following requirements:

- during the period (the "Buy-Down Period") when the borrower is not obligated, on account of the buy-down plan, to pay the full Scheduled Payment otherwise due on the loan, the Buy-Down Loans must provide for Scheduled Payments based on a hypothetical reduced interest rate (the "Buy-Down Mortgage Rate") that is not more than 3% below the mortgage rate at origination and for annual increases in the Buy-Down Mortgage Rate during the Buy-Down Period that will not exceed 1%;
- the Buy-Down Period may not exceed three years;
- the maximum amount of funds that may be contributed for a Mortgaged Property having a Loan-to-Value Ratio (1) of 90% or less at origination is limited to 10% of the Appraised Value of the Mortgaged Property, and (2) of over 90% at origination is limited to 6% of the Appraised Value of the Mortgaged Property;
- the maximum amount of funds (the "Buy-Down Amounts") that may be contributed by the servicer of the related Mortgaged Loan is limited to 6% of the Appraised Value of the Mortgaged Property. (This limitation does not apply to contributions from immediate relatives or the employer of the mortgagor); and
- the borrower under each Buy-Down Loan must be qualified at a mortgage rate that is not more than 3% per annum below the current mortgage rate at origination. (Accordingly, the repayment of a Buy-Down Loan depends on the borrower's ability to make larger Scheduled Payments after the Buy-Down Amounts are depleted).

Multifamily Properties are generally subject to the following requirements, unless otherwise specified in the prospectus supplement:

- no Mortgage Loan may be delinquent for more than 59 days within the 12-month period ending with the Cut-off Date;
- no more than two payments may be 59 days or more delinquent during a three-year period ending on the Cut-off Date;
- Mortgage Loans with respect to any single borrower may not exceed 5% of the aggregate principal balance of the Loans comprising the Primary Assets as of the Cut-off Date; and
- the debt service coverage ratio for each Mortgage Loan (calculated as described in the prospectus supplement) will not be less than 1.1:1.

As specified in the prospectus supplement, “ARMs” or “Adjustable Rate Mortgages,” which provide for periodic adjustments in the interest rate component of the Scheduled Payment in accordance with an Index, will provide for a fixed initial Mortgage Rate for one or more Scheduled Payments. Thereafter, the Mortgage Rates will adjust periodically based, subject to the applicable limitations, on changes in the relevant Index described in the prospectus supplement, to a rate equal to the Index plus the Gross Margin, which is a fixed percentage spread over the Index established contractually for each ARM at the time of its origination. An ARM may be convertible into a fixed-rate Mortgage Loan. To the extent specified in the prospectus supplement, any ARM that is converted may be subject to repurchase by the servicer.

Adjustable mortgage rates can cause payment increases that some borrowers may find difficult to make. However, each of the ARMs may provide that its mortgage rate may not be adjusted to a rate above the applicable lifetime mortgage rate cap (the “Lifetime Mortgage Rate Cap”), if any, or below the applicable lifetime minimum mortgage rate (the “Minimum Mortgage Rate”), if any, for the ARM. In addition, certain of the ARMs provide for limitations on the maximum amount by which their mortgage rates may adjust for any single adjustment period (the “Maximum Mortgage Rate Adjustment”). Some ARMs are payable in self-amortizing payments of principal and interest. Other ARMs (“Negatively Amortizing ARMs”) instead provide for limitations on changes in the Scheduled Payment to protect borrowers from payment increases due to rising interest rates.

These limitations can result in Scheduled Payments that are greater or less than the amount necessary to amortize a Negatively Amortizing ARM by its original maturity at the mortgage rate in effect during any particular adjustment period. In the event that the Scheduled Payment is not sufficient to pay the interest accruing on a Negatively-Amortizing ARM, then the Deferred Interest is added to the principal balance of the ARM, resulting in negative amortization, and will be repaid through future Scheduled Payments. If specified in the prospectus supplement, Negatively-Amortizing ARMs may provide for the extension of their original stated maturity to accommodate changes in their mortgage rate. The prospectus supplement will specify whether the ARMs comprising or underlying the Primary Assets are Negatively Amortizing ARMs.

The index (the “Index”) applicable to any ARM comprising the Primary Assets will be the one-month LIBOR Index, the three-year Treasury Index, the one-year Treasury Index, the Six Month Treasury Index, the Eleventh District Costs of Funds Index or the National Monthly Median Cost of Funds Ratio to institutions insured by the Federal Savings and Loan Insurance Corporation (“FSLIC”), or any other index or indices as described in the prospectus supplement.

Certain of the Mortgage Loans may be fixed or variable rate Mortgage Loans that do not provide for monthly payments of principal and interest by the borrower. Instead, these Mortgage Loans will provide generally either for the accrual of interest on a monthly basis and the repayment of principal, interest and, in some cases, certain amounts calculated by reference to the value, or the appreciation in value of the related Mortgaged Property, or for payment in lieu of interest of an amount calculated by reference to the appreciation in value of the related Mortgaged Property, in each case upon the occurrence of specified maturity events. Maturity events generally include:

- the death of the borrower, or the last living of two co-borrowers;
- the borrower, or the last living of two co-borrowers, ceasing to use the related Mortgaged Property as his or her principal residence; or
- the sale of the related Mortgaged Property.

The maturity of this type of Mortgage Loan may be accelerated upon the occurrence of certain events, such as deterioration in the condition of the Mortgaged Property.

The prospectus supplement for each series of Securities will provide information about the Mortgage Loans, as of the Cut-off Date, including:

- (1) the aggregate outstanding principal balance of the Mortgage Loans;

- (2) the weighted average Mortgage Rate of the Mortgage Loans, and, in the case of ARMs, the weighted average of the current mortgage rates and the Lifetime Mortgage Rate Caps, if any;
- (3) the average outstanding principal balance of the Mortgage Loans;
- (4) the weighted average term-to-stated maturity of the Mortgage Loans and the range of remaining terms-to-stated maturity;
- (5) the range of Loan-to-Value Ratios for the Mortgage Loans;
- (6) the relative percentage (by outstanding principal balance as of the Cut-off Date) of Mortgage Loans that are ARMs, Cooperative Loans, Conventional Loans, FHA Loans and VA Loans;
- (7) the percentage of Mortgage Loans (by outstanding principal balance as of the Cut-off Date) that are not covered by primary mortgage insurance policies;
- (8) any pool insurance policy, special hazard insurance policy or bankruptcy bond or other credit support relating to the Mortgage Loans;
- (9) the geographic distribution of the Mortgaged Properties securing the Mortgage Loans; and
- (10) the percentage of Mortgage Loans (by principal balance as of the Cut-off Date) that are secured by Single Family Property, Multifamily Property, Cooperative Dwellings, investment property and vacation or second homes.

If information of the type described above respecting the Mortgage Loans is not known to the depositor at the time the Securities are initially offered, approximate or more general information of the nature described above will be provided in the prospectus supplement and any additional information will be set forth in a Current Report on Form 8-K to be available to investors on the date of issuance of the related series and to be filed with the Commission within 15 days after the initial issuance of the Securities.

### **The Manufactured Home Loans**

The Loans secured by Manufactured Homes (“Manufactured Home Loans”) comprising or underlying the Primary Assets for a series of Securities will consist of manufactured housing conditional sales contracts and installment loan agreements originated by a manufactured housing dealer in the ordinary course of business and purchased by the depositor. Each Manufactured Home Loan will have been originated by a bank or savings institution that is a Fannie Mae- or Freddie Mac-approved seller/servicer or by any financial institution approved for insurance by the Secretary of Housing and Urban Development pursuant to Section 2 of the National Housing Act.

The Manufactured Home Loans may be Conventional Loans, FHA Loans or VA Loans. Each Manufactured Home Loan will be secured by a Manufactured Home. Unless otherwise specified in the prospectus supplement, the Manufactured Home Loans will be fully amortizing and will bear interest at a fixed interest rate.

Each “Manufactured Home” securing the Manufactured Home Loan consists of a manufactured home within the meaning of 42 United States Code, Section 5402(6), which defines a “manufactured home” as “a structure, transportable in one or more sections, which in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein; except that such term shall include any structure which meets all the requirements of [this] paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the Secretary of Housing and Urban Development and complies with the standards established under [this] chapter.”



Unless otherwise specified in the prospectus supplement for a series, the following restrictions apply with respect to Manufactured Home Loans comprising or underlying the Primary Assets for a series:

- no Manufactured Home Loan may have a Loan-to-Value Ratio at origination in excess of 95%;
- each Manufactured Home Loan must have an original term to maturity of not less than three years and not more than 30 years;
- no Manufactured Home Loan may be as of the Cut-off Date more than 59 days delinquent as to payment of principal or interest; and
- each Manufactured Home Loan must have, as of the Cut-off Date, a standard hazard insurance policy (which may be a blanket policy) in effect with respect thereto.

The initial Loan-to-Value Ratio of any Manufactured Home Loan represents the ratio of the principal amount of the Manufactured Home Loan outstanding at the origination of the loan divided by the fair market value of the Manufactured Home, as shown in the appraisal prepared in connection with origination of the Manufactured Home Loan (the “Appraised Value”). The fair market value of the Manufactured Home securing any Manufactured Home Loan is the lesser of the purchase price paid by the borrower or the Appraised Value of the Manufactured Home. With respect to underwriting of Manufactured Home Loans, see “Loan Underwriting Procedures and Standards.” With respect to servicing of Manufactured Home Loans, see “Servicing of Loans.”

The prospectus supplement for a series of Securities will provide information about the Manufactured Home Loans comprising the Primary Assets as of the Cut-off Date, including:

- (1) the aggregate outstanding principal balance of the Manufactured Home Loans comprising or underlying the Primary Assets;
- (2) the weighted average interest rate on the Manufactured Home Loans;
- (3) the average outstanding principal balance of the Manufactured Home Loans;
- (4) the weighted average scheduled term to maturity of the Manufactured Home Loans and the range of remaining scheduled terms to maturity;
- (5) the range of Loan-to-Value Ratios of the Manufactured Home Loans;
- (6) the relative percentages (by principal balance as of the Cut-off Date) of Manufactured Home Loans that were made on new Manufactured Homes and on used Manufactured Homes;
- (7) any pool insurance policy, special hazard insurance policy or bankruptcy bond or other credit support relating to the Manufactured Home Loans; and
- (8) the distribution by state of Manufactured Homes securing the Loans.

If information of the type specified above respecting the Manufactured Home Loans is not known to the depositor at the time the Securities are initially offered, approximate or more general information of the nature described above will be provided in the prospectus supplement and any additional information will be set forth in a Current Report on Form 8-K to be available to investors on the date of issuance of the related series and to be filed with the Commission within 15 days after the initial issuance of the Securities.

The information described above regarding the Manufactured Home Loans in a trust fund may be presented in the prospectus supplement in combination with similar information regarding the Mortgage Loans in the trust fund.

## **Pre-Funding Arrangements**

The depositor may be required to deposit cash or liquid securities into a pre-funding account on the issuance date. To the extent provided in the prospectus supplement for a series, the related Agreements may provide for a commitment by the depositor to subsequently convey to the trust fund additional Primary Assets or additional advances in respect of Mortgage Loans that comprise existing Primary Assets (“Subsequent Primary Assets”) following the date on which the Securities are issued (a “Pre-Funding Arrangement”). The Pre-Funding Arrangement will require that any Subsequent Primary Assets included in the trust fund conform to the requirements and conditions provided in the related Agreements. If a Pre-Funding Arrangement is utilized, on the closing date for the issuance of the Securities, the trustee will be required to deposit in a segregated account (a “Pre-Funding Account”) all or a portion of the proceeds received by the trustee in connection with the sale of one or more classes of Securities of the series. Subsequently, the trust fund will acquire Subsequent Primary Assets in exchange for the release of money from the Pre-Funding Account. Unless otherwise specified in the prospectus supplement, the Pre-Funding Arrangement will be limited to a specified period, generally not to exceed three months, during which time any transfers of Subsequent Primary Assets must occur.

If all of the funds originally deposited in the Pre-Funding Account are not used by the end of any specified period, then any remaining amount will be applied as a mandatory prepayment of a class or classes of Securities, as specified in the prospectus supplement. Although we expect that substantially all of the funds in the Pre-Funding Account will be used to acquire Subsequent Primary Assets, so that there will be no material principal distributions from amounts remaining on deposit in the Pre-Funding Account, we cannot assure you that such a distribution will not occur on the Distribution Date following the end of the Pre-Funding Arrangement.

Amounts on deposit in the Pre-Funding Account will be invested as provided in the related Agreements in investments permitted by the Rating Agencies.

## **Collection Account and Distribution Account**

The trustee, or the master servicer, in the name of the trustee, will establish a separate Collection Account for each series, for deposit of all distributions received with respect to the Primary Assets for the series, any initial cash deposit, and reinvestment income. If specified in the prospectus supplement, any reinvestment income or other gain from investments of funds in the Collection Account will be credited to the Collection Account, and any loss resulting from the investments will be charged to the Collection Account. Reinvestment income may, however, be payable to the trustee, the master servicer or a servicer as additional compensation. See “Servicing of Loans” and “The Agreements — Investment of Funds.” In this case, the reinvestment income would not be included in calculation of the Available Distribution Amount. See “Description of the Securities — Distributions on the Securities.”

Funds on deposit in the Collection Account will be available for remittance to the trustee for deposit into the Distribution Account to the extent of the Available Distribution Amount and for certain other payments provided for in the Agreements. Unless otherwise specified in the prospectus supplement, amounts in the Collection Account constituting reinvestment income payable to the master servicer as additional servicing compensation or for the reimbursement of advances or expenses, amounts in respect of any Excess Servicing Fee, Retained Interest, and amounts to be deposited into any reserve fund will not be included in determining amounts to be remitted to the trustee for deposit into the Distribution Account.

A separate Distribution Account will be established by the trustee in the name of the trustee for the benefit of the securityholders into which all funds received from the master servicer (or servicer) and all required withdrawals from any reserve funds for the related series will be deposited, pending distribution to the securityholders. If specified in the prospectus supplement, any reinvestment income or other gain from investments of funds in the Distribution Account will be credited to the Distribution Account, and any loss resulting from the investments will be charged to the Distribution Account. Reinvestment income, may, however, be payable to the trustee or the master servicer as additional compensation. On each Distribution Date, all funds on deposit in the Distribution Account, subject to certain permitted withdrawals by the trustee

as set forth in the Agreements, will be available for remittance to the securityholders. See also “The Agreements — Distribution Account.”

### **Other Funds or Accounts**

A trust fund may include other funds and accounts or a security interest in certain funds and accounts for the purpose of, among other things, paying certain administrative fees and expenses of the trust and accumulating funds pending their distribution. If specified in the prospectus supplement, certain funds may be established with the trustee with respect to Buy-Down Loans, GPM Loans, or other Loans having special payment features included in the trust fund in addition to or in lieu of any similar funds to be held by the servicer. See “Servicing of Loans — Collection Procedures; Escrow Accounts” and “— Deposits to and Withdrawals from the Collection Account.” If Private Mortgage-Backed Securities are backed by GPM Loans, and the asset value with respect to a Multi-Class Series is determined on the basis of the scheduled maximum principal balance of the GPM Loans, a GPM Fund will be established that will be similar to that which would be established if GPM Loans constituted the Primary Assets. See “Servicing of Loans — Deposits to and Withdrawals from the Collection Account.” Other similar accounts may be established as specified in the prospectus supplement.

## **Loan Underwriting Procedures and Standards**

### **Underwriting Standards**

The depositor expects that Loans comprising the Primary Assets for a series of Securities will have been originated generally in accordance with underwriting procedures and standards similar to those described in this prospectus, except as otherwise described in the prospectus supplement.

Unless otherwise specified in the prospectus supplement, the originators of the Mortgage Loans will have been savings and loan associations, savings banks, commercial banks, credit unions, insurance companies or similar institutions supervised and examined by a federal or state authority; mortgagees approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, or wholly-owned subsidiaries thereof; or by subsidiaries of the depositor. Manufactured Home Loans may have been originated by these institutions (other than a subsidiary of the depositor) or by a financial institution approved for insurance by the Secretary of Housing and Urban Development pursuant to Section 2 of the National Housing Act. Except as otherwise set forth in the prospectus supplement, the originator of a Loan will have applied underwriting procedures intended to evaluate the borrower's credit standing and repayment ability and the value and adequacy of the related property as collateral. FHA Loans and VA Loans will have been originated in compliance with the underwriting policies of the FHA and the VA, respectively.

In general, each borrower will have been required to complete an application designed to provide to the original lender pertinent credit information about the borrower. As part of the description of the borrower's financial condition, the borrower generally will have furnished information with respect to its assets, liabilities, income, credit history, employment history and personal information, and furnished an authorization to apply for a credit report that summarizes the borrower's credit history with local merchants and lenders and any record of bankruptcy. In general, an employment verification is obtained from an independent source (typically the borrower's employer), which reports the length of employment with that organization, the borrower's current salary and whether it is expected that the borrower will continue that employment in the future. If the borrower was self-employed, the borrower may have been required to submit copies of recent signed tax returns. The borrower may also have been required to authorize verifications of deposits at financial institutions where the borrower had demand or savings accounts. With respect to Multifamily Property, information concerning operating income and expenses will have been obtained from the borrower showing operating income and expenses during the preceding three calendar years. Certain considerations may cause an originator of Loans to depart from these guidelines. For example, when two individuals co-sign the loan documents, the incomes and expenses of both individuals may be included in the computation.

The adequacy of the property financed by the related Loan as security for repayment of the Loan will generally have been determined by appraisal in accordance with pre-established appraisal procedure guidelines for appraisals established by or acceptable to the originator. Appraisers may be staff appraisers employed by the Loan originator or independent appraisers selected in accordance with pre-established guidelines established by the Loan originator. The appraisal procedure guidelines will have required that the appraiser or an agent on its behalf personally inspect the property and verify that it was in good condition and that construction, if new, had been completed. If an appraisal was required, the appraisal will have been based upon a market data analysis of recent sales of comparable properties and, when deemed applicable, a replacement cost analysis based on the current cost of constructing or purchasing a similar property.

In general, based on the data provided, certain verifications and the appraisal, a determination will have been made by the original lender that the borrower's monthly income would be sufficient to enable the borrower to meet its monthly obligations on the Loan and other expenses related to the property (such as property taxes, utility costs, standard hazard and primary mortgage insurance and, if applicable, maintenance fees and other levies assessed by a Cooperative or a condominium association) and certain other fixed obligations other than housing expenses. The originating lender's guidelines for Loans secured by Single Family Property generally will specify that Scheduled Payments plus taxes and insurance and all Scheduled Payments extending beyond one year (including those mentioned above and other fixed obligations, such as

car payments) would equal no more than specified percentages of the prospective borrower's gross income. These guidelines will generally be applied only to the payments to be made during the first year of the Loan.

With respect to FHA Loans and VA Loans, traditional underwriting guidelines used by the FHA and the VA, as the case may be, which were in effect at the time of origination of each Loan will generally have been applied. With respect to Multifamily Property, the Loan originator will have made an assessment of the capabilities of the management of the project, including a review of management's past performance record, its management reporting and control procedures (to determine its ability to recognize and respond to problems) and its accounting procedures to determine cash management ability. Income derived from the Mortgaged Property constituting investment property may have been considered for underwriting purposes, rather than the income of the borrower from other sources. With respect to Mortgaged Property consisting of vacation or second homes, no income derived from the property will have been considered for underwriting purposes.

Certain types of Loans that may be included in the Primary Assets for a series of Securities may involve additional uncertainties not present in traditional types of loans. For example, Buy-Down Loans, GEM Loans and GPM Loans provide for escalating or variable payments by the borrower. These types of Loans are underwritten on the basis of a judgment that the borrower will have the ability to make larger Scheduled Payments in subsequent years. ARMs may involve similar assessments.

To the extent specified in the prospectus supplement, the depositor may purchase Loans (or participation interests therein) for inclusion in a trust fund that are underwritten under standards and procedures that vary from and are less stringent than those described in this prospectus. For instance, Loans may be underwritten under a "limited documentation" or "no documentation" program. With respect to those Loans, minimal investigation into the borrowers' credit history and income profile is undertaken by the originator and the Loans may be underwritten primarily on the basis of an appraisal of the Mortgaged Property and Loan-to-Value Ratio on origination.

In addition, Mortgage Loans may have been originated in connection with a governmental program under which underwriting standards were significantly less stringent and designed to promote home ownership or the availability of affordable residential rental property notwithstanding higher risks of default and losses. The prospectus supplement will specify the underwriting standards applicable to the Mortgage Loans.

Certain states where the Mortgaged Properties may be located have "antideficiency" laws requiring, in general, that lenders providing credit on Single Family Property look solely to the property for repayment in the event of foreclosure. See "Legal Aspects of Loans."

## **Loss Experience**

The general appreciation of real estate values experienced in the past has been a factor in limiting the general loss experience on Conventional Loans. However, we cannot assure you that the past pattern of appreciation in value of the real property securing the Loans will continue; in fact, some regions of the country have experienced significant depreciation in real estate values in recent periods. Also, there is no assurance that appreciation of real estate values generally, if appreciation occurs, will limit loss experiences on non-traditional housing such as Multifamily Property, Manufactured Homes or Cooperative Dwellings. Similarly, no assurance can be given that the value of the Mortgaged Property (including Cooperative Dwellings) securing a Loan has remained or will remain at the level existing on the date of origination of the Loan. If the residential real estate market in one or more regions of the United States should experience decline in property values so that the outstanding balances of the Loans and any secondary financing on the Mortgaged Properties securing the Loans become equal to or greater than the value of the related Mortgaged Properties, then the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry. See "Legal Aspects of Loans."

No assurance can be given that values of Manufactured Homes have or will remain at the levels existing on the dates of origination of the related Loan. Manufactured Homes are less likely to experience appreciation in value and more likely to experience depreciation in value over time than other types of

Mortgaged Property. Additionally, delinquency, loss and foreclosure experience on Manufactured Home Loans may be adversely affected to a greater degree by regional and local economic conditions than more traditional Mortgaged Property. Loans secured by Multifamily Property may also be more susceptible to losses due to changes in local and regional economic conditions than Loans secured by other Single Family Property. For example, unemployment resulting from an economic downturn in local industry may sharply affect occupancy rates. Also, interest rate fluctuations can make home ownership a more attractive alternative to renting, causing occupancy rates and market rents to decline. New construction can create an oversupply, particularly in a market that has experienced low vacancy rates.

To the extent that losses resulting from delinquencies, losses and foreclosures or repossession of Mortgaged Property with respect to Loans included in the Primary Assets for a series of Securities are not covered by the methods of credit support or the insurance policies described in this prospectus or the prospectus supplement, losses will be borne by holders of the Securities of the related series. Even where credit support covers all losses resulting from delinquency and foreclosure or repossession, the effect of foreclosures and repossessions may be to increase prepayment experience on the Primary Assets, thus reducing average weighted life and affecting yield to maturity. See “Yield, Prepayment and Maturity Considerations.”

### **Representations and Warranties**

Unless otherwise specified in the prospectus supplement, at the time of delivery of the Mortgage Loans to the trustee, the depositor or another entity will represent and warrant to the trustee with respect to the Mortgage Loans comprising the Primary Assets in a trust fund, that:

- any required title insurance (or in the case of Mortgaged Properties located in areas where such policies are generally not available, an attorney’s certificate of title) and any required standard hazard and primary mortgage insurance was in effect as of the date of the representation and warranty;
- immediately prior to the transfer and assignment of the Mortgage Loans the depositor (or other entity) with respect to each Mortgage Loan had good title to and was sole owner of each Mortgage Loan;
- with respect to first lien Mortgage Loans, each Mortgage constituted a valid lien on the related Mortgaged Property (subject only to permissible title insurance exceptions) and that the related Mortgaged Property was free of material damage and was in good repair;
- each Mortgage Loan at the time it was made complied in all material respects with applicable state and federal laws, including usury, equal credit opportunity and truth-in-lending or similar disclosure laws; and
- each Mortgage Loan was current as to all required payments (*i.e.*, not more than one or two payments delinquent).

If the Mortgage Loans include Cooperative Loans, no representations or warranties with respect to title insurance or hazard insurance will be given. In addition, if the Mortgage Loans include Condominium Loans, no representation regarding hazard insurance will be given. Generally, the Cooperative itself is responsible for the maintenance of hazard insurance for property owned by the Cooperative and the persons appointed or elected by the Condominium Unit owners to govern the affairs of the Condominium (the “Condominium Association”) are responsible for maintaining standard hazard insurance, insuring the entire multi-unit building or buildings, or group of buildings, whether or not attached to each other, located on property subject to Condominium ownership (the “Condominium Building”) (including each individual Condominium Unit), and the borrowers of that Cooperative or Condominium may not maintain separate hazard insurance on their individual Cooperative Dwellings or Condominium Units. See “Servicing of Loans — Maintenance of Insurance Policies and Other Servicing Procedures.”

With respect to a Cooperative Loan, unless otherwise specified in the prospectus supplement, the depositor will represent and warrant based, in part, upon representations and warranties of the originator of

the Cooperative Loan that (1) with respect to first lien Cooperative Loans, the security interest created by the cooperative security agreements is a valid first lien on the collateral securing the Cooperative Loan (subject to the right of the related Cooperative to cancel shares and terminate the proprietary lease for unpaid assessments) and (2) the related Cooperative Dwelling is free of material damage and in good repair.

Unless otherwise specified in the prospectus supplement, with respect to each Manufactured Home Loan, the depositor or another entity, based, in part, upon representations and warranties of the originator of the Manufactured Home Loan, will represent and warrant, among other things that:

- immediately prior to the transfer and assignment of the Manufactured Home Loans to the trustee, the depositor had good title to, and was the sole owner of, each Manufactured Home Loan;
- as of the date of the transfer and assignment, the Manufactured Home Loans are subject to no offsets, defenses or counterclaims;
- each Manufactured Home Loan at the time it was made complied in all material respects with applicable state and federal laws, including usury, equal credit opportunity and truth-in-lending or similar disclosure laws;
- with respect to first lien Manufactured Home Loans, as of the date of the transfer and assignment, each Manufactured Home Loan constitutes a valid lien on the related Manufactured Home and is free of material damage and is in good repair;
- as of the date of the representation and warranty, no Manufactured Home Loan is more than 59 days delinquent, and there are no delinquent tax or assessment liens against the related Manufactured Home; and
- with respect to each Manufactured Home Loan, any required hazard insurance policy was effective at the origination of each Manufactured Home Loan and remained in effect on the date of the transfer and assignment of the Manufactured Home Loan from the depositor and that all premiums due on the insurance have been paid in full.

Upon the discovery of the breach of any representation or warranty made by the depositor or another entity in respect of a Loan that materially and adversely affects the value of the Loan, such party will be obligated to cure the breach in all material respects, repurchase the Loan from the trustee, or, unless specified otherwise in the prospectus supplement, deliver a Qualified Substitute Mortgage Loan as described below under “The Agreements — Assignment of Primary Assets.”

The depositor does not have, and is not expected in the future to have, any significant assets with which to meet its obligations to repurchase or substitute Loans, and its only source of funds to make such a substitution or repurchase would be from funds obtained from the enforcement of a corresponding obligation, if any, on the part of the originator or seller of the Loans. The PMBS Trustee (in the case of Private Mortgage-Backed Securities) or the trustee, as applicable, will be required to enforce this obligation following the practices it would employ in its good faith business judgment were it the owner of the Loan. If specified in the prospectus supplement, the master servicer may be obligated to enforce this obligation rather than the trustee or PMBS Trustee.

### **Substitution of Primary Assets**

Substitution of Primary Assets will be permitted in the event of breaches of representations and warranties with respect to any original Primary Asset or in the event the documentation with respect to any Primary Asset is determined by the trustee to be incomplete. The prospectus supplement will indicate the period during which a substitution will be permitted and will describe any other conditions upon which Primary Assets may be substituted for Primary Assets initially included in the trust fund.

## Servicing of Loans

### General

Customary servicing functions with respect to Loans constituting the Primary Assets in the trust fund will be provided, as specified in the prospectus supplement, either by the master servicer directly or through one or more servicers subject to supervision by the master servicer, or by a single servicer that is a party to the applicable Agreement for a series and services the Loans directly or through one or more subservicers (the “Subservicers”). In general, descriptions of the rights and obligations of a master servicer will also be applicable to a servicer, and descriptions of the rights and obligations of servicers that service Loans under the supervision of a master servicer will generally be applicable to Subservicers. If the master servicer is not directly servicing the Loans, then the master servicer will generally:

- administer and supervise the performance by the servicers of their servicing responsibilities under their servicing agreements (“Servicing Agreements”) with the master servicer,
- maintain any standard or special hazard insurance policy, primary mortgage insurance, bankruptcy bond or pool insurance policy required for the related Loans and
- advance funds as described below under “Advances and Limitations Thereon.”

If the master servicer services the Loans through servicers as its agents, the master servicer may or may not, as specified in the prospectus supplement, be ultimately responsible for the performance of all servicing activities, including those performed by the servicers, notwithstanding its delegation of certain responsibilities to the servicers. If a single servicer services the Loans through Subservicers, the servicer will be ultimately responsible for the performance of all servicing activities.

The master servicer will be a party to the applicable Agreement for any series for which Loans comprise the Primary Assets and may be a party to a Participation Agreement executed with respect to any Participation Certificates that constitute the Primary Assets. The master servicer may be an affiliate of the depositor. Unless otherwise specified in the prospectus supplement, the master servicer and each servicer will be required to be a Fannie Mae- or Freddie Mac-approved seller/servicer and, in the case of FHA Loans, approved by HUD as an FHA mortgagee.

The master servicer will be paid a Servicing Fee for the performance of its services and duties under each Agreement as specified in the prospectus supplement. Each servicer, if any, will be entitled to receive either a portion of the Servicing Fee or a separate fee. In addition, the master servicer or servicer may be entitled to retain late charges, assumption fees and similar charges to the extent collected from mortgagors. If a servicer is terminated by the master servicer, the servicing function of the servicer will be either transferred to a substitute servicer or performed by the master servicer. The master servicer will be entitled to retain the fee paid to the servicer under a terminated Servicing Agreement if the master servicer elects to perform the servicing functions itself.

The master servicer, at its election, may pay itself the Servicing Fee for a series with respect to each Mortgage Loan either by:

- withholding the Servicing Fee from any scheduled payment of interest prior to the deposit of the payment in the Collection Account for the related series,
- withdrawing the Servicing Fee from the Collection Account after the entire Scheduled Payment has been deposited in the Collection Account, or
- requesting that the trustee pay the Servicing Fee out of amounts in the Distribution Account.



## **Collection Procedures; Escrow Accounts**

The master servicer, acting directly or through servicers, will make reasonable efforts to collect all payments required to be made under the Mortgage Loans and will, consistent with the Agreement for a series and any applicable insurance policies and other credit supports, follow such collection procedures as it follows with respect to comparable loans held in its own portfolio. Consistent with the above, the master servicer and any servicer may, in its discretion, (1) waive any assumption fee, late payment charge, or other charge in connection with a Loan and (2) arrange with a mortgagor a schedule for the liquidation of delinquencies by extending the Due Dates for Scheduled Payments on the Loan.

As specified in the prospectus supplement, the master servicer or the servicers acting under its supervision, to the extent permitted by law, may establish and maintain escrow or impound accounts (“Escrow Accounts”) in which payments by borrowers to pay taxes, assessments, mortgage and hazard insurance premiums, and other comparable items that are required to be paid to the mortgagee will be deposited. However, Mortgage Loans and Manufactured Home Loans may not require those payments under the loan related documents, in which case the master servicer would not be required to establish any Escrow Account with respect to those Loans.

Withdrawals from the Escrow Accounts are to be made to effect timely payment of taxes, assessments, mortgage and hazard insurance premiums, to refund to borrowers amounts determined to be overages, to pay interest to borrowers on balances in the Escrow Account to the extent required by law, to repair or otherwise protect the property securing the related Loan and to clear and terminate the Escrow Account. The master servicer or the applicable servicers will be responsible for the administration of the Escrow Accounts and generally will make advances to the account when a deficiency exists.

## **Deposits to and Withdrawals from the Collection Account**

The master servicer or the trustee will establish a separate account (the “Collection Account”) in the name of the trustee. The Collection Account will be maintained in an account or accounts (1) at a depository institution, the long-term unsecured debt obligations of which at the time of any deposit therein are rated within the two highest rating categories by each Rating Agency rating the Securities of the related series, (2) the deposits in which are insured to the maximum extent available by the Federal Deposit Insurance Corporation or which are secured in a manner meeting requirements established by each Rating Agency or (3) with a depository institution otherwise acceptable to each Rating Agency.

The Collection Account may be maintained as an interest-bearing account, or the funds held therein may be invested, pending remittance to the trustee, in Eligible Investments. If specified in the prospectus supplement, the master servicer will be entitled to receive as additional compensation any interest or other income earned on funds in the Collection Account.

As specified in the applicable Agreement, the master servicer will deposit into the Collection Account for each series on the Business Day following the closing date for the issuance of a series, any amounts representing Scheduled Payments due after the related Cut-off Date but received by the master servicer on or before the closing date, and thereafter, after the date of receipt thereof, the following payments and collections received or made by it (other than in respect of principal of and interest on the related Loans due on or before the Cut-off Date):

- all payments on account of principal, including prepayments, on the Loans;
- all payments on account of interest on the Loans after deducting therefrom, at the discretion of the master servicer but only to the extent of the amount permitted to be withdrawn or withheld from the Collection Account in accordance with the related Agreement, the Servicing Fee in respect of the Loans;
- all amounts received by the master servicer in connection with the liquidation of defaulted Loans or property acquired in respect thereof, whether through foreclosure sale or otherwise, including payments

in connection with the Loans received from the mortgagor, other than amounts required to be paid to the mortgagor pursuant to the terms of the applicable Mortgage or otherwise pursuant to law (“Liquidation Proceeds”), exclusive of, in the discretion of the master servicer but only to the extent of the amount permitted to be withdrawn from the Collection Account in accordance with the related Agreement, the Servicing Fee, if any, in respect of the related Loan;

- all proceeds received by the trustee under any title, hazard or other insurance policy covering any Loan, other than proceeds to be applied to the restoration or repair of the Mortgaged Property or released to the mortgagor in accordance with the related Agreement (which will be retained by the master servicer and not deposited in the Collection Account);
- all amounts required to be deposited therein from any applicable Reserve Fund for the related series pursuant to the related Agreement;
- all Advances for the related series made by the master servicer pursuant to the related Agreement; and
- all proceeds of any Loans repurchased by the depositor pursuant to the related Agreement.

Generally, the master servicer is permitted, from time to time, to make withdrawals from the Collection Account for each series for the following purposes:

- to reimburse itself for Advances for the related series made by it pursuant to the related Agreement; the master servicer’s right to reimburse itself is limited to amounts received on or in respect of particular Loans (including, for this purpose, Liquidation Proceeds and amounts representing proceeds of insurance policies covering the related Mortgaged Property) which represent late recoveries of Scheduled Payments respecting which any Advance was made;
- to reimburse itself for any Advances for the related series that the master servicer determines in good faith it will be unable to recover from amounts representing late recoveries of Scheduled Payments respecting which the Advance was made or from Liquidation Proceeds or the proceeds of insurance policies;
- to reimburse itself from Liquidation Proceeds for liquidation expenses and for amounts expended by it in good faith in connection with the restoration of damaged Mortgaged Property and, to the extent that Liquidation Proceeds after reimbursement are in excess of the outstanding principal balance of the related Loan, together with accrued and unpaid interest thereon at the applicable Interest Rate to the Due Date next succeeding the date of its receipt of Liquidation Proceeds, to pay to itself out of the excess the amount of any unpaid Servicing Fee and any assumption fees, late payment charges, or other charges on the related Loan;
- in the event it has elected not to pay itself the Servicing Fee out of any interest component of any Scheduled Payment, late payment or other recovery with respect to a particular Loan prior to the deposit of the Scheduled Payment, late payment or recovery into the Collection Account, to pay to itself the Servicing Fee, as adjusted pursuant to the related Agreement, from the related Scheduled Payment, late payment or other recovery, to the extent permitted by the Agreement;
- to reimburse itself for expenses incurred by and recoverable by or reimbursable to it pursuant to the related Agreement;
- to pay to itself with respect to each Loan or REO Property acquired in respect thereof that has been repurchased by the depositor pursuant to the related Agreement all amounts received thereon and not distributed as of the date on which the related repurchase price was determined;
- to reimburse itself for the excess of any unreimbursed Advances with respect to a particular Loan over the related Liquidation Proceeds;

- to make payments to the trustee of the related series for deposit into the Distribution Account, if any, or for remittance to the securityholders of the related series in the amounts and in the manner provided for in the related Agreement; and
- to clear and terminate the Collection Account pursuant to the related Agreement.

In addition, if the master servicer deposits in the Collection Account for a series any amount not required to be deposited therein, it may, at any time, withdraw the amount from the Collection Account.

### **Servicing Accounts**

In those cases where a servicer is servicing a Mortgage Loan, the servicer will establish and maintain an account (a “Servicing Account”) that will comply with the standards set forth above, and which is otherwise acceptable to the master servicer. The servicer is generally required to deposit into the Servicing Account all amounts enumerated in the preceding paragraph in respect of the Mortgage Loans received by the servicer, less its servicing compensation. On the date specified in the prospectus supplement, the servicer will remit to the master servicer all funds held in the Servicing Account with respect to each Mortgage Loan. The servicer may, to the extent described in the prospectus supplement, be required to advance any monthly installment of principal and interest that was not received, less its servicing fee, by the date specified in the prospectus supplement.

### **Buy-Down Loans, GPM Loans and Other Subsidized Loans**

With respect to each Buy-Down Loan, if any, included in a trust fund, the master servicer will deposit all Buy-Down Amounts in a custodial account (which may be interest-bearing) complying with the requirements set forth above for the Collection Account (the “Buy-Down Fund”). The amount of the deposit, together with investment earnings thereon at the rate specified in the prospectus supplement, will provide sufficient funds to support the payments on the Buy-Down Loan on a level debt service basis. The master servicer will not be obligated to add to the Buy-Down Fund should amounts therein and investment earnings prove insufficient to maintain the scheduled level of payments on the Buy-Down Loans, in which event distributions to the securityholders may be affected.

Unless otherwise provided in the prospectus supplement, a Buy-Down Fund will not be included in or deemed to be a part of the trust fund. Unless otherwise specified in the prospectus supplement, the terms of all Buy-Down Loans provide for the contribution of buy-down funds in an amount equal to or exceeding either (1) the total payments to be made from those funds pursuant to the related buydown plan or (2) if the buy-down funds are present valued, that amount of buy-down funds which, together with investment earnings thereon at a specified rate, compounded monthly, will support the scheduled level of payments due under the Buy-Down Loan. Neither the master servicer, any servicer nor the depositor will be obligated to add to the buy-down funds any of its own funds should investment earnings prove insufficient to maintain the scheduled level of payments on the Buy-Down Loan, in which event distributions to securityholders may be affected. With respect to each Buy-Down Loan, the master servicer will deposit in the Collection Account the amount, if any, of the buy-down funds (and, if applicable, investment earnings thereon) for each Buy-Down Loan that, when added to the amount due from the borrower on the Buy-Down Loan, equals the full monthly payment that would be due on the Buy-Down Loan if it were not subject to the buy-down plan.

If the borrower on a Buy-Down Loan prepays the Loan in its entirety during the Buy-Down Period, the master servicer will withdraw from the Buy-Down Fund and remit to the borrower in accordance with the related buy-down plan any buy-down funds remaining in the Buy-Down Fund. If a prepayment by a borrower during the Buy-Down Period together with buy-down funds will result in a prepayment in full, the master servicer will withdraw from the Buy-Down Fund for deposit in the Collection Account the buy-down funds and investment earnings thereon, if any, which together with the prepayment will result in a prepayment in full. If the borrower defaults during the Buy-Down Period with respect to a Buy-Down Loan and the property securing the related Loan is sold in liquidation (either by the master servicer or the insurer under any related insurance policy), the master servicer will withdraw from the Buy-Down Fund the buy-down funds and all investment earnings thereon, if any, for deposit in the Collection Account or remit the same to the insurer if

the mortgaged property is transferred to the insurer and the insurer pays all of the loss incurred in respect of the default. In the case of any prepaid or defaulted Buy-Down Loan, the buy-down funds in respect of which were supplemented by investment earnings, the master servicer will withdraw from the Buy-Down Fund and retain or remit to the borrower, depending upon the terms of the buy-down plan, any investment earnings remaining in the related Buy-Down Fund.

The terms of certain of the Loans may provide for the contribution of subsidy funds by the seller of the related Mortgaged Property or by another entity. With respect to each such Loan, the master servicer will deposit the subsidy funds in a custodial account (which may be interest-bearing) complying with the requirements set forth above for the Collection Account (a “Subsidy Fund”). Unless otherwise specified in the prospectus supplement, the terms of each such Loan will provide for the contribution of the entire undiscounted amount of subsidy amounts necessary to maintain the scheduled level of payments due during the early years of the Loan. Neither the master servicer, any servicer nor the depositor will be obligated to add to the Subsidy Fund any of its own funds. Unless otherwise provided in the prospectus supplement, the Subsidy Fund will not be included in or deemed to be a part of the trust fund.

If the depositor values any GPM Loans deposited into the trust fund for a Multi-Class Series on the basis of the GPM Loan’s scheduled maximum principal balance, the master servicer will, if and to the extent provided in the prospectus supplement, deposit in a custodial account (which may be interest bearing) (the “GPM Fund”) complying with the requirements set forth above for the Collection Account an amount which, together with reinvestment income thereon at the rate set forth in the prospectus supplement, will be sufficient to cover the amount by which payments of principal and interest on the GPM Loans assumed in calculating payments due on the Securities of that Multi-Class Series exceed the scheduled payments on the GPM Loans. The trustee will withdraw amounts from the GPM Fund for a series upon a prepayment of the GPM Loan as necessary and apply those amounts to the payment of principal and interest on the Securities of the related series. Neither the depositor, the master servicer nor any servicer will be obligated to supplement the GPM Fund should amounts therein and investment earnings thereon prove insufficient to maintain the scheduled level of payments, in which event, distributions to the securityholders may be affected. Unless otherwise specified in the prospectus supplement, the GPM Fund will not be included in or deemed to be part of the trust fund.

With respect to any other type of Loan that provides for payments other than on the basis of level payments, an account may be established as described in the prospectus supplement on terms similar to those relating to the Buy-Down Fund, the Subsidy Fund or the GPM Fund.

## **Advances and Other Payments, and Limitations Thereon**

### *General*

The prospectus supplement will describe the circumstances under which the master servicer or servicer will make Advances with respect to delinquent payments on Loans. Unless otherwise specified in the prospectus supplement, neither the master servicer nor any servicer will be obligated to make Advances, and the obligation to do so may be limited in amount, may be limited to advances received from the servicers, if any, or may not be activated until a certain portion of a specified reserve fund is depleted. If the master servicer is obligated to make Advances, a surety bond or other credit support may be provided with respect to that obligation as described in the prospectus supplement. Advances are intended to provide liquidity and not to guarantee or insure against losses. Accordingly, any funds advanced are recoverable by the servicer or the master servicer, as the case may be, out of amounts received on particular Loans that represent late recoveries of principal or interest, proceeds of insurance policies or Liquidation Proceeds respecting which any such Advance was made. If an Advance is made and subsequently determined to be nonrecoverable from late collections, proceeds of Insurance Policies, or Liquidation Proceeds from the related Loan, the servicer or master servicer will be entitled to reimbursement from other funds in the Collection Account or Servicing Account, as the case may be, or from a specified Reserve Fund as applicable, to the extent specified in the prospectus supplement.

### *Payments in Connection With Prepaid Loans*

In addition, when a borrower makes a principal prepayment in full between the due dates on which the borrower is required to make its payments on the Loan, as specified in the prospectus supplement (each, a “Due Date”), the borrower will generally be required to pay interest on the principal amount prepaid only to the date of the prepayment. If and to the extent provided in the prospectus supplement, in order that one or more classes of the securityholders of a series will not be adversely affected by any resulting shortfall in interest, the master servicer may be obligated to make payment from its own funds to the extent necessary to include in its remittance to the trustee for deposit into the Distribution Account an amount equal to a full Scheduled Payment of interest on the related Loan (adjusted to the applicable Interest Rate). Any principal prepayment, together with a full Scheduled Payment of interest thereon at the applicable Interest Rate (to the extent of the adjustment or advance), will be distributed to securityholders on the related Distribution Date. If the amount necessary to include a full Scheduled Payment of interest as described above exceeds the amount that the master servicer is obligated to pay, a shortfall may occur as a result of a prepayment in full. See “Yield, Prepayment and Maturity Considerations.”

### **Maintenance of Insurance Policies and Other Servicing Procedures**

#### *Standard Hazard Insurance; Flood Insurance*

Except as otherwise specified in the prospectus supplement, the master servicer will be required to maintain or to cause the borrower on each Loan to maintain or will use its best reasonable efforts to cause each servicer of a Loan to maintain a standard hazard insurance policy providing coverage of the standard form of fire insurance with extended coverage for certain other hazards as is customary in the state in which the property securing the related Loan is located. See “Description of Mortgage and Other Insurance.” Unless otherwise specified in the prospectus supplement, coverage will be in an amount at least equal to the greater of (1) the amount necessary to avoid the enforcement of any co-insurance clause contained in the policy or (2) the outstanding principal balance of the related Loan.

The master servicer will also maintain on REO Property that secured a defaulted Loan and that has been acquired upon foreclosure, deed in lieu of foreclosure, or repossession, a standard hazard insurance policy in an amount that is at least equal to the maximum insurable value of the REO Property. No earthquake or other additional insurance will be required of any borrower or will be maintained on REO Property acquired in respect of a defaulted Loan, other than pursuant to applicable laws and regulations as may at any time be in force and will require additional insurance. When, at the time of origination of a Loan, the property securing that Loan is located in a federally designated special flood hazard area, the master servicer will cause to be maintained or use its best reasonable efforts to cause the servicer to maintain with respect to property flood insurance as required under the Flood Disaster Protection Act of 1973, to the extent available, or as described in the prospectus supplement.

Any amounts collected by the master servicer or the servicer, as the case may be, under any policies of insurance (other than amounts to be applied to the restoration or repair of the Mortgaged Property, released to the borrower in accordance with normal servicing procedures or used to reimburse the master servicer for amounts to which it is entitled to reimbursement) will be deposited in the Collection Account. In the event that the master servicer obtains and maintains a blanket policy insuring against hazard losses on all of the Loans, written by an insurer then acceptable to each Rating Agency that assigns a rating to the related series, it will conclusively be deemed to have satisfied its obligations to cause to be maintained a standard hazard insurance policy for each Loan or related REO Property. This blanket policy may contain a deductible clause, in which case the master servicer will, in the event that there has been a loss that would have been covered by the policy absent a deductible clause, deposit in the Collection Account the amount not otherwise payable under the blanket policy because of the application of the deductible clause.

The depositor will not require that a standard hazard or flood insurance policy be maintained on the Cooperative Dwelling relating to any Cooperative Loan. Generally, the Cooperative itself is responsible for maintenance of hazard insurance for the property owned by the cooperative and the tenant-stockholders of that cooperative may not maintain individual hazard insurance policies. To the extent, however, that a

Cooperative and the related borrower on a Cooperative Loan do not maintain insurance or do not maintain adequate coverage or any insurance proceeds are not applied to the restoration of damaged property, any damage to the borrower's Cooperative Dwelling or the Cooperative's building could significantly reduce the value of the collateral securing the Cooperative Loan to the extent not covered by other credit support. Similarly, the depositor will not require that a standard hazard or flood insurance policy be maintained on a Condominium Unit relating to any Condominium Loan. Generally, the Condominium Association is responsible for maintenance of hazard insurance insuring the entire Condominium building (including each individual Condominium Unit), and the owner(s) of an individual Condominium Unit may not maintain separate hazard insurance policies. To the extent, however, that a Condominium Association and the related borrower on a Condominium Loan do not maintain insurance or do not maintain adequate coverage or any insurance proceeds are not applied to the restoration of damaged property, any damage to the borrower's Condominium Unit or the related Condominium Building could significantly reduce the value of the collateral securing the Condominium Loan to the extent not covered by other credit support.

#### *Special Hazard Insurance Policy*

To the extent specified in the prospectus supplement, the master servicer will maintain a special hazard insurance policy, in full force and effect with respect to the Loans. Unless otherwise specified in the prospectus supplement, the special hazard insurance policy will provide for a fixed premium rate based on the declining aggregate outstanding principal balance of the Loans. The master servicer will agree to pay the premium for any special hazard insurance policy on a timely basis. If the special hazard insurance policy is cancelled or terminated for any reason (other than the exhaustion of total policy coverage), the master servicer will exercise its best reasonable efforts to obtain from another insurer a replacement policy comparable to the terminated special hazard insurance policy with a total coverage that is equal to the then existing coverage of the terminated special hazard insurance policy; provided that if the cost of any replacement policy is greater than the cost of the terminated special hazard insurance policy, the amount of coverage under the replacement policy will, unless otherwise specified in the prospectus supplement, be reduced to a level such that the applicable premium does not exceed 150% of the cost of the special hazard insurance policy that was replaced. Any amounts collected by the master servicer under the special hazard insurance policy in the nature of insurance proceeds will be deposited in the Collection Account (net of amounts to be used to repair, restore or replace the related property securing the Loan or to reimburse the master servicer (or a servicer) for related amounts owed to it). Certain characteristics of the special hazard insurance policy are described under "Description of Mortgage and Other Insurance — Hazard Insurance on the Loans."

#### *Primary Mortgage Insurance*

To the extent described in the prospectus supplement, the master servicer will be required to use its best reasonable efforts to keep, or to cause each servicer to keep, in full force and effect, a primary mortgage insurance policy with respect to each Conventional Loan secured by Single Family Property for which insurance coverage is required for as long as the related mortgagor is obligated to maintain primary mortgage insurance under the terms of the related Loan. The master servicer will not cancel or refuse to renew any primary mortgage insurance policy in effect at the date of the initial issuance of the Securities that is required to be kept in force unless a replacement primary mortgage insurance policy for the cancelled or nonrenewed policy is maintained with a mortgage guarantee or insurance company duly qualified as such under the laws of the state in which the related Mortgaged Property is located duly authorized and licensed in the state to transact the applicable insurance business and to write the insurance provided (each, a "Qualified Insurer").

Primary insurance policies will be required with respect to Manufactured Home Loans only to the extent described in the prospectus supplement. If primary mortgage insurance is to be maintained with respect to Manufactured Home Loans, the master servicer will be required to maintain the insurance as described above. For further information regarding the extent of coverage under a primary mortgage insurance policy, see "Description of Mortgage and Other Insurance — Mortgage Insurance on the Loans."

### *FHA Insurance and VA Guarantees*

To the extent specified in the prospectus supplement, all or a portion of the Loans may be insured by the FHA or guaranteed by the VA. The master servicer will be required to take steps reasonably necessary to keep the insurance and guarantees in full force and effect. See “Description of Mortgage and Other Insurance — Mortgage Insurance on the Loans.”

### *Pool Insurance Policy*

If specified in the prospectus supplement, the master servicer will be obligated to use its best reasonable efforts to maintain a pool insurance policy with respect to the Loans in the amount and with the coverage described in the prospectus supplement. Unless otherwise specified in the prospectus supplement, the pool insurance policy will provide for a fixed premium rate on the declining aggregate outstanding principal balance of the Loans. The master servicer will be obligated to pay the premiums for the pool insurance policy on a timely basis.

The prospectus supplement will identify the pool insurer for each series of Securities. If the pool insurer ceases to be a Qualified Insurer because it is not approved as an insurer by Freddie Mac or Fannie Mae or because its claims-paying ability is no longer rated in the category required by the prospectus supplement, the master servicer will be obligated to review, no less often than monthly, the financial condition of the pool insurer to determine whether recoveries under the pool insurance policy are jeopardized by reason of the financial condition of the pool insurer. If the master servicer determines that recoveries may be so jeopardized or if the pool insurer ceases to be qualified under applicable law to transact a mortgage guaranty insurance business, the master servicer will exercise its best reasonable efforts to obtain from another Qualified Insurer a comparable replacement pool insurance policy with a total coverage equal to the then outstanding coverage of the pool insurance policy to be replaced; provided that, if the premium rate on the replacement policy is greater than that of the existing pool insurance policy, then the coverage of the replacement policy will, unless otherwise specified in the prospectus supplement, be reduced to a level such that its premium rate does not exceed 150% of the premium rate on the pool insurance policy to be replaced. Payments made under a pool insurance policy will be deposited into the Collection Account (net of expenses of the master servicer or any related unreimbursed advances or unpaid Servicing Fee). Certain characteristics of the pool insurance policy are described under “Description of Mortgage and Other Insurance — Mortgage Insurance on the Loans.”

### *Bankruptcy Bond*

If specified in the prospectus supplement, the master servicer will be obligated to use its best reasonable efforts to obtain and thereafter maintain a bankruptcy bond or similar insurance or guaranty in full force and effect throughout the term of the related Agreement, unless coverage thereunder has been exhausted through payment of claims. If specified in the prospectus supplement, the master servicer will be required to pay from its servicing compensation the premiums for the bankruptcy bond on a timely basis. Coverage under the bankruptcy bond may be cancelled or reduced by the master servicer at any time, provided that the cancellation or reduction does not adversely affect the then current rating of the related series of Securities. See “Description of Mortgage and Other Insurance — Bankruptcy Bond.”

### **Presentation of Claims; Realization Upon Defaulted Loans**

The master servicer, on behalf of the trustee and the securityholders, will be required to present or cause to be presented, claims with respect to any standard hazard insurance policy, pool insurance policy, special hazard insurance policy, bankruptcy bond, or primary mortgage insurance policy, and to the FHA and the VA, if applicable in respect of any FHA insurance or VA guarantee respecting defaulted Mortgage Loans.

The master servicer will use its reasonable best efforts to foreclose upon, repossess or otherwise comparably convert the ownership of the real properties securing the related Loans that come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with any foreclosure or other conversion, the master servicer will follow those

practices and procedures as it deems necessary or advisable and as are normal and usual in its servicing activities with respect to comparable loans serviced by it. However, the master servicer will not be required to expend its own funds in connection with any foreclosure or towards the restoration of the property unless it determines that: (1) the restoration or foreclosure will increase the Liquidation Proceeds in respect of the related Mortgage Loan available to the securityholders after reimbursement to itself for its expenses and (2) that the expenses will be recoverable by it either through Liquidation Proceeds or the proceeds of insurance.

Notwithstanding anything to the contrary in this prospectus, in the case of a trust fund for which a REMIC election has been made, the master servicer will not liquidate any collateral acquired through foreclosure later than one year after the acquisition of the collateral. While the holder of Mortgaged Property acquired through foreclosure can often maximize its recovery by providing financing to a new purchaser, the trust fund will have no ability to do so and neither the master servicer nor any servicer will be required to do so.

Similarly, if any property securing a defaulted Loan is damaged and proceeds, if any, from the related standard hazard insurance policy or the applicable special hazard insurance policy, if any, are insufficient to restore the damaged property to a condition sufficient to permit recovery under any pool insurance policy or any primary mortgage insurance policy, FHA insurance, or VA guarantee, neither the master servicer nor any servicer will be required to expend its own funds to restore the damaged property unless it determines (1) that the restoration will increase the Liquidation Proceeds in respect of the Loan after reimbursement of the expenses incurred by the servicer or the master servicer and (2) that the expenses will be recoverable by it through proceeds of the sale of the property or proceeds of the related pool insurance policy or any related primary mortgage insurance policy, FHA insurance, or VA guarantee.

As to collateral securing a Cooperative Loan, any prospective purchaser will generally have to obtain the approval of the board of directors of the relevant cooperative before purchasing the shares and acquiring rights under the proprietary lease or occupancy agreement securing that Cooperative Loan. See “Legal Aspects of Loans — Realizing Upon Cooperative Loan Security.” This approval is usually based on the purchaser’s income and net worth and numerous other factors. Although the Cooperative’s approval is unlikely to be unreasonably withheld or delayed, the necessity of acquiring approval could limit the number of potential purchasers for those shares and otherwise limit the trust fund’s ability to sell and realize the value of those shares.

With respect to a Loan secured by a Multifamily Property, the market value of any property obtained in foreclosure or by deed in lieu of foreclosure will be based substantially on the operating income obtained by renting the dwelling units. As a default on a Loan secured by Multifamily Property is likely to have occurred because operating income, net of expenses, is insufficient to make debt service payments on the related Loan, it can be anticipated that the market value of the property will be less than anticipated when the Loan was originated. To the extent that equity does not cushion the loss in market value and the loss is not covered by other credit support, a loss may be experienced by the related trust fund. With respect to a defaulted Manufactured Home Loan, the value of the related Manufactured Home can be expected to be less on resale than the value of a new Manufactured Home. To the extent equity does not cushion the loss in market value, and the loss is not covered by other credit support, a loss may be experienced by the trust fund.

### **Enforcement of Due-On-Sale Clauses**

Typically, when any Mortgaged Property is about to be conveyed by the borrower, the master servicer will, to the extent it has knowledge of the prospective conveyance and prior to the conveyance, exercise its rights to accelerate the maturity of the Loan under the applicable “due-on-sale” clause, if any, unless it reasonably believes that the clause is not enforceable under applicable law or if the enforcement of the clause would result in loss of coverage under any primary mortgage insurance policy. In this case, or if the master servicer reasonably believes that enforcement of a due-on-sale clause will not be enforceable, the master servicer is authorized to accept from or enter into an assumption agreement with the person to whom the property has been or is about to be conveyed, pursuant to which that person becomes liable under the Loan



and pursuant to which the original borrower is released from liability and that person is substituted as the borrower and becomes liable under the Loan. Any fee collected in connection with an assumption will be retained by the master servicer as additional servicing compensation. The terms of a Loan may not be changed in connection with an assumption except that, if the terms of the Loan so permit, and subject to certain other conditions, the interest rate may be increased (but not decreased) to a prevailing market rate. Unless otherwise specified in the prospectus supplement, securityholders would not benefit from any increase.

### **Certain Rights Related to Foreclosure**

Certain rights in connection with foreclosure of defaulted Mortgage Loans may be granted to the holders of the class of Subordinate Securities ranking lowest in priority and, when those Securities are no longer outstanding, to the holders of the class of Subordinate Securities ranking next lowest in priority. These rights may include the right to delay foreclosure until a Mortgage Loan has been delinquent for six months, provided that upon election to delay foreclosure the holder establishes a reserve fund for the benefit of the trust fund in an amount equal to 125% of the greater of the Scheduled Principal Balance of the Mortgage Loan or the appraised value of the related Mortgaged Property, plus three months' accrued interest on the Mortgage Loan. Any exercise of the right to delay foreclosure could affect the amount recovered upon liquidation of the related Mortgaged Property. These rights may also include the right to recommend foreclosure or alternatives to foreclosure with respect to a defaulted Mortgage Loan, and the right to purchase the defaulted Mortgage Loan from the trust fund.

### **Servicing Compensation and Payment of Expenses**

The master servicer or any servicer will be entitled to a servicing fee in an amount to be determined as specified in the prospectus supplement. The servicing fee may be fixed or variable. In addition, the master servicer or any servicer will be entitled to servicing compensation in the form of assumption fees, late payment charges, or excess proceeds following disposition of property in connection with defaulted Loans.

As provided in the prospectus supplement, the trust fund or the master servicer will pay the fees of the servicers, if any, and certain expenses incurred in connection with the servicing of the Loans, including, without limitation, the payment of the fees and expenses of the trustee and independent accountants, the payment of insurance policy premiums and the cost of credit support, if any, and the payment of expenses incurred in enforcing the obligations of servicers and in preparation of reports to securityholders. Certain of these expenses may be reimbursable pursuant to the terms of the related Agreement from Liquidation Proceeds and the proceeds of insurance policies and, in the case of enforcement of the obligations of servicers, from any recoveries in excess of amounts due with respect to the related Loans or from specific recoveries of costs.

The master servicer will be entitled to reimbursement for certain expenses incurred by it in connection with the liquidation of defaulted Loans. The related trust fund will suffer no loss by reason of the expenses to the extent claims are paid under related insurance policies or from the Liquidation Proceeds. If claims are either not made or paid under the applicable insurance policies or if coverage thereunder has been exhausted, the related trust fund will suffer a loss to the extent that Liquidation Proceeds, after reimbursement of the master servicer's expenses, are less than the outstanding principal balance of and unpaid interest on the related Loan that would be distributable to securityholders.

In addition, the master servicer will be entitled to reimbursement of expenditures incurred by it in connection with the restoration of property securing a defaulted Loan, the right of reimbursement being prior to the rights of the securityholders to receive any related proceeds of insurance policies, Liquidation Proceeds or amounts derived from other credit supports. The master servicer is also entitled to reimbursement from the Collection Account for Advances. In addition, when a borrower makes a principal prepayment in full between Due Dates on the related Loan, the borrower will generally be required to pay interest on the amount prepaid only to the date of prepayment.

If and to the extent provided in the prospectus supplement, in order that one or more classes of the securityholders of a series will not be adversely affected by any resulting shortfall in interest, the amount of

the Servicing Fee may be reduced to the extent necessary to include in the master servicer's remittance to the trustee for deposit into the Distribution Account an amount equal to a full scheduled payment of interest on the related Loan (adjusted to the applicable Interest Rate). Any principal prepayment, together with a full Scheduled Payment of interest thereon at the applicable Interest Rate (to the extent of the adjustment or advance), will be distributed to securityholders on the related Distribution Date. If the amount necessary to include a full Scheduled Payment of interest as described above exceeds the amount of the Servicing Fee, a shortfall to securityholders may occur as a result of a prepayment in full. See "Yield, Prepayment and Maturity Considerations."

The rights of the master servicer to receive funds from the Collection Account for a series, whether as the Servicing Fee or other compensation, or for the reimbursement of Advances, expenses or otherwise, are not subordinate to the rights of securityholders of the related series.

### **Evidence as to Compliance**

If specified in the prospectus supplement, the related Agreement for each series will provide that each year, a firm of independent public accountants will furnish a statement to the trustee to the effect that the firm has examined certain documents and records relating to the servicing of mortgage loans by the master servicer and that, on the basis of its examination, the firm is of the opinion that the servicing has been conducted in compliance with the related Agreement except for exceptions that the firm believes to be immaterial and any other exceptions as set forth in the statement.

The related Agreement for each series may also provide for delivery to the trustee for the series of an annual statement signed by an officer of the master servicer to the effect that the master servicer has fulfilled its obligations under the Agreement throughout the preceding calendar year.

### **Certain Matters Regarding the Master Servicer**

The master servicer for each series, if any, will be identified in the prospectus supplement. The master servicer may be an affiliate of the depositor and may have other business relationships with the depositor and its affiliates.

In the event of an event of default under the related Agreement, the master servicer may be replaced by the trustee or a successor master servicer. See "The Agreements — Event of Default; Rights upon Events of Default."

The master servicer will generally have the right to assign its rights and delegate its duties and obligations under the related Agreement for each series; provided that the purchaser or transferee accepting the assignment or delegation:

- is qualified to service mortgage loans for Fannie Mae or Freddie Mac;
- is reasonably satisfactory to the trustee for the related series;
- has a net worth of not less than \$15,000,000; and
- executes and delivers to the trustee an agreement, in form and substance reasonably satisfactory to the trustee, which contains an assumption by the purchaser or transferee of the due and punctual performance and observance of each covenant and condition to be performed or observed by the master servicer under the related Agreement from and after the date of the agreement; and

provided further that each Rating Agency's rating of the Securities for the related series in effect immediately prior to the assignment, sale or transfer is not qualified, downgraded or withdrawn as a result of the assignment, sale or transfer.

No assignment will become effective until the trustee or a successor master servicer has assumed the master servicer's obligations and duties under the related Agreement. To the extent that the master servicer

transfers its obligations to a wholly-owned subsidiary or affiliate, the subsidiary or affiliate need not satisfy the criteria set forth above, however, in this case, the assigning master servicer will remain liable for the servicing obligations under the related Agreement. Any entity into which the master servicer is merged or consolidated or any successor corporation resulting from any merger, conversion or consolidation will succeed to the master servicer's obligations under the related Agreement, provided that the successor or surviving entity meets the requirements for a successor master servicer set forth in the preceding paragraph.

Each Agreement will also provide that neither the master servicer, nor any director, officer, employee or agent of the master servicer, will be under any liability to the related trust fund or the securityholders for any action taken or for failing to take any action in good faith pursuant to the related Agreement or for errors in judgment; *provided, however*, that neither the master servicer nor any such person will be protected against any breach of warranty or representations made under the related Agreement or the failure to perform its obligations in compliance with any standard of care set forth in the related Agreement or liability that would otherwise be imposed by reason of willful misfeasance, bad faith or negligence in the performance of their duties or by reason of reckless disregard of their obligations and duties thereunder.

Each Agreement will further provide that the master servicer and any director, officer, employee or agent of the master servicer is entitled to indemnification from the related trust fund and will be held harmless against any loss, liability or expense incurred in connection with any legal action relating to the Agreements or the Securities, other than any loss, liability or expense incurred by reason of willful misfeasance, bad faith or negligence in the performance of duties thereunder or by reason of reckless disregard of obligations and duties thereunder. In addition, the related Agreement provides that the master servicer is not under any obligation to appear in, prosecute or defend any legal action that is not incidental to its servicing responsibilities under the related Agreement which, in its opinion, may involve it in any expense or liability. The master servicer may, in its discretion, undertake any action which it may deem necessary or desirable with respect to the related Agreement and the rights and duties of the parties thereto and the interests of the securityholders thereunder. In this case, the legal expenses and costs of the action and any liability resulting therefrom will be expenses, costs, and liabilities of the trust fund and the master servicer will be entitled to be reimbursed therefor out of the Collection Account.

## Credit Support

### General

Credit support may be provided with respect to one or more classes of a series of Securities or for the related Primary Assets. Credit support may take the form of one or more of the following:

- an irrevocable letter of credit;
- the subordination of one or more classes of the Securities of a series;
- reserve funds;
- a pool insurance policy, bankruptcy bond, repurchase bond or special hazard insurance policy;
- a surety bond or financial guaranty insurance policy;
- the use of cross-support features; or
- another method of credit support described in the prospectus supplement.

In all cases, the amounts and terms and conditions of the credit support must be acceptable to each Rating Agency. If specified in the prospectus supplement, any form of credit support may be structured so as to protect against losses relating to more than one trust fund.

Unless otherwise specified in the prospectus supplement for a series, the credit support will not provide protection against all risks of loss and will not guarantee repayment of the entire principal balance of the Securities and interest thereon at the applicable Interest Rate. If losses occur which exceed the amount covered by credit support or which are not covered by the credit support, securityholders will bear their allocable share of deficiencies. See “The Agreement — Event of Default; Rights Upon Event of Default.” Moreover, if a form of credit support covers more than one trust fund (each, a “Covered Trust”), holders of Securities issued by any of the Covered Trusts will be subject to the risk that the credit support will be exhausted by the claims of other Covered Trusts prior to the Covered Trust receiving any of its intended share of the coverage.

If credit support is provided with respect to a series, or the related Primary Assets, the prospectus supplement will include a description of:

- the amount payable under the credit support;
- any conditions to payment thereunder not otherwise described in this prospectus;
- the conditions (if any) under which the amount payable under the credit support may be reduced and under which the credit support may be terminated or replaced; and
- the material provisions of any agreement relating to the credit support.

Additionally, the prospectus supplement will set forth certain information with respect to the issuer of any third-party credit support, including:

- a brief description of its principal business activities;
- its principal place of business, place of incorporation and the jurisdiction under which it is chartered or licensed to do business;
- if applicable, the credit ratings assigned to it by rating agencies; and
- certain financial information.

## **Subordinate Securities; Subordination Reserve Fund**

If specified in the prospectus supplement, one or more classes of a series may be Subordinate Securities. If specified in the prospectus supplement, the rights of the Subordinate securityholders to receive distributions of principal and interest from the Distribution Account on any Distribution Date will be subordinated to the rights of the Senior securityholders to the extent of the then applicable “Subordinated Amount” as defined in the prospectus supplement. The Subordinated Amount will decrease whenever amounts otherwise payable to the Subordinate securityholders are paid to the senior securityholders (including amounts withdrawn from the subordination reserve fund, if any, established pursuant to the related Agreement (the “Subordination Reserve Fund”) and paid to the senior securityholders), and will (unless otherwise specified in the prospectus supplement) increase whenever there is distributed to the holders of Subordinate Securities amounts in respect of which subordination payments have previously been paid to the senior securityholders (which will occur when subordination payments in respect of delinquencies and certain other deficiencies have been recovered).

A series may include a class of Subordinate Securities entitled to receive cash flows remaining after distributions are made to all other classes. This right will effectively be subordinate to the rights of other securityholders, but will not be limited to the Subordinated Amount. If specified in the prospectus supplement, the subordination of a class may apply only in the event of (or may be limited to) certain types of losses not covered by Insurance Policies or other credit support, such as losses arising from damage to property securing a Loan not covered by standard hazard insurance policies, losses resulting from the bankruptcy of a borrower and application of certain provisions of the federal bankruptcy code, 11 United States Code 101 et seq., and related rules and regulations promulgated thereunder (the “Bankruptcy Code”), or losses resulting from the denial of insurance coverage due to fraud or misrepresentation in connection with the origination of a Loan.

With respect to any series that includes one or more classes of Subordinate Securities, a Subordination Reserve Fund may be established if specified in the prospectus supplement. The Subordination Reserve Fund, if any, will be funded with cash, an irrevocable letter of credit, a demand note or Eligible Reserve Fund Investments, or by the retention of amounts of principal or interest otherwise payable to holders of Subordinate Securities, or both, as specified in the prospectus supplement. The Subordination Reserve Fund will not be a part of the trust fund, unless otherwise specified in the prospectus supplement. If the Subordination Reserve Fund is not a part of the trust fund, the trustee will have a security interest therein on behalf of the senior securityholders. Moneys will be withdrawn from the Subordination Reserve Fund to make distributions of principal or interest on Senior Securities under the circumstances set forth in the prospectus supplement.

Moneys deposited in any Subordinated Reserve Fund will be invested in Eligible Reserve Fund Investments. Unless otherwise specified in the prospectus supplement, any reinvestment income or other gain from these investments will be credited to the Subordinated Reserve Fund for the related series, and any loss resulting from the investments will be charged to the Subordinated Reserve Fund. Amounts in any Subordinated Reserve Fund in excess of the Required Reserve Fund Balance may be periodically released to the holders of Subordinate Securities under the conditions and to the extent specified in the prospectus supplement. Additional information concerning any Subordinated Reserve Fund will be set forth in the prospectus supplement, including the amount of any initial deposit to the Subordinated Reserve Fund, the Required Reserve Fund Balance to be maintained therein, the purposes for which funds in the Subordinated Reserve Fund may be applied to make distributions to senior securityholders and the employment of reinvestment earnings on amounts in the Subordinated Reserve Fund, if any.

## **Cross-Support Features**

If the Primary Assets for a series are divided into separate Asset Groups, beneficial ownership of which is evidenced by, or which secure, a separate class or classes of a series, credit support may be provided by a cross-support feature that requires that distributions be made on Senior Securities backed by one Asset Group prior to distributions on Subordinate Securities backed by another Asset Group within the trust fund. The

prospectus supplement for a series that includes a cross-support feature will describe the manner and conditions for applying the cross-support feature.

### **Insurance**

Credit support with respect to a series may be provided by various forms of insurance policies, subject to limits on the aggregate dollar amount of claims that will be payable under each insurance policy, with respect to all Loans comprising or underlying the Primary Assets for a series, or those Loans with certain characteristics. The insurance policies include primary mortgage insurance and standard hazard insurance and may, if specified in the prospectus supplement, include a pool insurance policy covering losses in amounts in excess of coverage of any primary insurance policy, a special hazard insurance policy covering certain risks not covered by standard hazard insurance policies, a bankruptcy bond covering certain losses resulting from the bankruptcy of a borrower and application of certain provisions of the Bankruptcy Code, a repurchase bond covering the repurchase of a Loan for which mortgage insurance or hazard insurance coverage has been denied due to misrepresentations in connection with the origination of the related Loan, or other insurance covering other risks associated with the particular type of Loan. See “Description of Mortgage and Other Insurance.”

Copies of the actual pool insurance policy, special hazard insurance policy, bankruptcy bond or repurchase bond, if any, relating to the Loans comprising the Primary Assets for a series will be filed with the Commission as an exhibit to a Current Report on Form 8-K to be filed within 15 days of issuance of the Securities of the related series.

### **Letter of Credit**

The letter of credit, if any, with respect to a series of Securities will be issued by the bank or financial institution specified in the prospectus supplement (the “L/C Bank”). Under the letter of credit, the L/C Bank will be obligated to honor drawings thereunder in an aggregate fixed dollar amount, net of unreimbursed payments thereunder, equal to the percentage specified in the prospectus supplement of the aggregate principal balance of the Loans on the related Cut-off Date or of one or more classes of Securities (the “L/C Percentage”). If specified in the prospectus supplement, the letter of credit may permit drawings in the event of losses not covered by insurance policies or other credit support, such as losses arising from damage not covered by standard hazard insurance policies, losses resulting from the bankruptcy of a borrower and the application of certain provisions of the Bankruptcy Code, or losses resulting from denial of insurance coverage due to misrepresentations in connection with the origination of a Loan. The amount available under the letter of credit will, in all cases, be reduced to the extent of the unreimbursed payments thereunder. The obligations of the L/C Bank under the letter of credit for each series of Securities will expire at the earlier of the date specified in the prospectus supplement or the termination of the trust fund. See “Description of the Securities — Optional Termination” and “The Agreements — Termination.” A copy of the letter of credit for a series, if any, will be filed with the Commission as an exhibit to a Current Report on Form 8-K to be filed within 15 days of issuance of the Securities of the related series.

### **Financial Guaranty Insurance Policy**

Credit support may be provided in the form of a financial guaranty insurance policy by one or more insurance companies named in the prospectus supplement. The financial guaranty insurance policy will guarantee, with respect to one or more classes of Securities of the related series, timely distributions of interest and full distributions of principal on the basis of a schedule of principal distributions set forth in or determined in the manner specified in the prospectus supplement. If specified in the prospectus supplement, the financial guaranty insurance policy will also guarantee against any payment made to a securityholder that is subsequently recovered as a “voidable preference” payment under the Bankruptcy Code. A copy of the financial guaranty insurance policy for a series, if any, will be filed with the Commission as an exhibit to a Current Report on Form 8-K to be filed with the Commission within 15 days following the issuance of the Securities of the related series.

## **Reserve Funds**

One or more Reserve Funds may be established with respect to a series, in which cash, a letter of credit, Eligible Reserve Fund Investments, a demand note or a combination thereof, in the amounts specified in the prospectus supplement will be deposited. The Reserve Funds for a series may also be funded over time by depositing therein a specified amount of the distributions received on the related Primary Assets as specified in the prospectus supplement.

Amounts on deposit in any Reserve Fund for a series, together with the reinvestment income thereon, will be applied by the trustee for the purposes, in the manner, and to the extent specified in the prospectus supplement. A Reserve Fund may be provided to increase the likelihood of timely payments of principal of and interest on the Securities, if required as a condition to the rating of the related series by each Rating Agency, or to reduce the likelihood of special distributions with respect to any Multi-Class Series. If specified in the prospectus supplement, Reserve Funds may be established to provide limited protection, in an amount satisfactory to each Rating Agency, against certain types of losses not covered by Insurance Policies or other credit support, such as losses arising from damage not covered by standard hazard insurance policies, losses resulting from the bankruptcy of a borrower and the application of certain provisions of the Bankruptcy Code or losses resulting from denial of insurance coverage due to fraud or misrepresentation in connection with the origination of a Loan. Following each Distribution Date amounts in the Reserve Fund in excess of any required Reserve Fund balance may be released from the Reserve Fund under the conditions and to the extent specified in the prospectus supplement and will not be available for further application by the trustee.

Moneys deposited in any Reserve Funds will be invested in Eligible Reserve Fund Investments, except as otherwise specified in the prospectus supplement. Unless otherwise specified in the prospectus supplement, any reinvestment income or other gain from the investments will be credited to the related Reserve Fund for the series, and any loss resulting from the investments will be charged to the Reserve Fund. However, this income may be payable to the master servicer or a servicer as additional servicing compensation. See “Servicing of Loans” and “The Agreements — Investment of Funds.” The Reserve Fund, if any, for a series will not be a part of the trust fund unless otherwise specified in the prospectus supplement.

Additional information concerning any Reserve Fund will be set forth in the prospectus supplement, including the initial balance of the Reserve Fund, the required Reserve Fund balance to be maintained, the purposes for which funds in the Reserve Fund may be applied to make distributions to securityholders and use of investment earnings from the Reserve Fund, if any.

## Description of Mortgage and Other Insurance

The following descriptions of primary mortgage insurance policies, pool insurance policies, special hazard insurance policies, standard hazard insurance policies, bankruptcy bonds, repurchase bonds and other insurance and the respective coverages thereunder are general descriptions only and do not purport to be complete. If specified in the prospectus supplement, insurance may be structured so as to protect against losses relating to more than one trust fund in the manner described therein.

### Mortgage Insurance on the Loans

#### *General*

Unless otherwise specified in the prospectus supplement, all Mortgage Loans that are Conventional Loans secured by Single Family Property and which had initial Loan-to-Value Ratios of greater than 80% will be covered by primary mortgage insurance policies providing coverage with respect to the amount of each Mortgage Loan in excess of 75% of the original Appraised Value of the related Mortgaged Property and remaining in force until the principal balance of the Mortgage Loan is reduced to 80% of the original Appraised Value.

A pool insurance policy will be obtained if specified in the prospectus supplement to cover any loss (subject to limitations described in this prospectus) occurring as a result of default by the borrowers to the extent not covered by any primary mortgage insurance policy or FHA Insurance. See “Pool Insurance Policy” below. Neither the primary mortgage insurance policies nor any pool insurance policy will insure against certain losses sustained in the event of a personal bankruptcy of the borrower under a Mortgage Loan. See “Legal Aspects of Loans.” These losses will be covered to the extent described in the prospectus supplement by the bankruptcy bond or other credit support, if any.

To the extent that the primary mortgage insurance policies do not cover all losses on a defaulted or foreclosed Mortgage Loan, and to the extent these losses are not covered by the pool insurance policy or other credit support for the related series, any losses would affect payments to securityholders. In addition, the pool insurance policy and primary mortgage insurance policies do not provide coverage against hazard losses. See “Hazard Insurance on the Loans” below. Certain hazard risks will not be insured and the occurrence of hazards could adversely affect payments to securityholders.

#### *Primary Mortgage Insurance*

Although the terms and conditions of primary mortgage insurance vary, the amount of a claim for benefits under a primary mortgage insurance policy covering a Mortgage Loan (referred to as the “Insured Loss”) generally will consist of the insured percentage (typically ranging from 12% to 25%) of the unpaid principal amount of the covered Mortgage Loan and accrued and unpaid interest thereon and reimbursement of certain expenses, less:

- all rents or other payments collected or received by the insured (other than the proceeds of hazard insurance) that are derived from or in any way related to the Mortgaged Property;
- hazard insurance proceeds in excess of the amount required to restore the mortgaged property and which have not been applied to the payment of the Mortgage Loan;
- amounts expended but not approved by the mortgage insurer;
- claim payments previously made by the mortgage insurer; and
- unpaid premiums.

Primary mortgage insurance policies reimburse certain losses sustained by reason of defaults in payments by borrowers. Primary mortgage insurance policies will not insure against, and exclude from coverage, a loss sustained by reason of a default arising from or involving certain matters, including:



- fraud or negligence in origination or servicing of the Mortgage Loans, including misrepresentation by the originator, borrower or other persons involved in the origination of the Mortgage Loan;
- failure to construct the Mortgaged Property subject to the Mortgage Loan in accordance with specified plans;
- physical damage to the Mortgaged Property; and
- the related servicer not being approved as a servicer by the mortgage insurer.

Primary mortgage insurance policies generally contain provisions substantially as follows: (1) under the policy, a claim includes unpaid principal, accrued interest at the applicable loan interest rate to the date of filing of a claim thereunder and certain advances (with a limitation on attorneys' fees for foreclosures of 3% of the unpaid principal balance and accumulated delinquent interest) described below; (2) when a claim is presented, the mortgage insurer will have the option of paying the claim in full and taking title to the property and arranging for the sale thereof or paying the insured percentage of the claim and allowing the insured to retain title to the property; (3) unless earlier directed by the mortgage insurer, claims must be made within a specified period of time (typically, 60 days) after the insured has acquired good and marketable title to the property; and (4) a claim must be paid within a specific period of time (typically, 60 days) after the claim is accepted by the mortgage insurer.

As conditions precedent to the filing of or payment of a claim under a primary mortgage insurance policy covering a Mortgage Loan, the insured will be required to:

- advance or discharge all hazard insurance policy premiums, and as necessary and approved in advance by the mortgage insurer, (1) real estate property taxes, (2) all expenses required to maintain the related Mortgaged Property in at least as good a condition as existed at the effective date of the primary mortgage insurance policy, ordinary wear and tear excepted, (3) Mortgaged Property sales expenses, (4) any outstanding liens (as defined in the primary mortgage insurance policy) on the Mortgaged Property and (5) foreclosure costs, including court costs and reasonable attorneys' fees;
- in the event of any physical loss or damage to the Mortgaged Property, restore and repair the Mortgaged Property to at least as good a condition as existed at the effective date of the primary mortgage insurance policy, ordinary wear and tear excepted; and
- tender to the mortgage insurer good and marketable title to and possession of the Mortgaged Property.

Other provisions and conditions of each primary mortgage insurance policy covering a Mortgage Loan will generally include that:

- no change may be made in the terms of the Mortgage Loan without the consent of the mortgage insurer;
- written notice must be given to the mortgage insurer within 10 days after the insured becomes aware that a borrower is delinquent in the payment of a sum equal to the aggregate of two Scheduled Payments due under the Mortgage Loan or that any proceedings affecting the borrower's interest in the Mortgaged Property securing the Mortgage Loan have been commenced, and thereafter the insured must report monthly to the mortgage insurer the status of any Mortgage Loan until the Mortgage Loan is brought current, the proceedings are terminated or a claim is filed;
- the mortgage insurer will have the right to purchase the Mortgage Loan, at any time subsequent to the 10 days' notice described above and prior to the commencement of foreclosure proceedings, at a price equal to the unpaid principal amount of the Mortgage Loan plus accrued and unpaid interest thereon at the applicable Mortgage Rate and reimbursable amounts expended by the insured for the real estate taxes and fire and extended coverage insurance on the Mortgaged Property for a period not exceeding 12 months and less the sum of any claim previously paid under the policy with respect to the Mortgage Loan and any due and unpaid premium with respect to the policy;

- the insured must commence proceedings at certain times specified in the policy and diligently proceed to obtain good and marketable title to and possession of the mortgaged property;
- the insured must notify the mortgage insurer of the institution of any proceedings, provide it with copies of documents relating thereto, notify the mortgage insurer of the price amounts specified above at least 15 days prior to the sale of the Mortgaged Property by foreclosure, and bid that amount unless the mortgage insurer specifies a lower or higher amount; and
- the insured may accept a conveyance of the Mortgaged Property in lieu of foreclosure with written approval of the mortgage insurer, provided the ability of the insured to assign specified rights to the mortgage insurer are not thereby impaired or the specified rights of the mortgage insurer are not thereby adversely affected.

The mortgage insurer will be required to pay to the insured either: (1) the insured percentage of the loss; or (2) at its option under certain of the primary mortgage insurance policies, the sum of the delinquent Scheduled Payments plus any advances made by the insured, both to the date of the claim payment, and thereafter, Scheduled Payments in the amount that would have become due under the Mortgage Loan if it had not been discharged plus any advances made by the insured until the earlier of (a) the date the Mortgage Loan would have been discharged in full if the default had not occurred, or (b) an approved sale. Any rents or other payments collected or received by the insured that are derived from or are in any way related to the mortgaged property will be deducted from any claim payment.

#### *FHA Insurance and VA Guaranty*

The benefits of the FHA insurance and VA guaranty are limited, as described below. To the extent that amounts payable under the applicable policy are insufficient to cover losses in respect of the related Mortgage Loan, any loss in excess of the applicable credit enhancement will be borne by securityholders.

Under both the FHA and VA programs the master servicer or servicer must follow certain prescribed procedures in submitting claims for payment. Failure to follow procedures could result in delays in receipt of the amount of proceeds collected in respect of any liquidated Mortgage Loan under the applicable FHA insurance or VA guaranty (“FHA/VA Claim Proceeds”) and reductions in FHA/VA Claim Proceeds received.

FHA, a division of HUD, is responsible for administering federal mortgage insurance programs authorized under the Federal Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. FHA Mortgage Loans are insured under various FHA programs including the standard FHA 203(b) program to finance the acquisition of one- to four-family housing units and the FHA 245 graduated payment mortgage program as well as to refinance an existing insured mortgage. These programs generally limit the principal amount of the mortgage loans insured. Mortgage loans originated prior to October 21, 1998, and insured by the FHA generally require a minimum down payment of approximately 3% to 5% of the acquisition cost, which includes the lesser of the appraised value or sales price, plus eligible closing costs, subject to a maximum loan-to-value ratio of approximately 97%. Mortgage loans originated on or after October 21, 1998, and insured by the FHA generally require a minimum cash investment of 3% of the lesser of appraised value or sales price, subject to a maximum loan-to-value ratio (generally, approximately 97.75%) that is determined based on the loan amount and the state in which the mortgaged property is located.

The monthly or periodic insurance premiums for FHA Mortgage Loans will be collected by the master servicer or servicer and paid to FHA. The regulations governing FHA single-family mortgage insurance programs provide that insurance benefits are payable upon foreclosure (or other acquisition or possession) and in general, conveyance of the mortgaged property to HUD. With respect to a defaulted FHA Mortgage Loan, a master servicer or servicer is limited in its ability to initiate foreclosure proceedings. When it is determined by a master servicer or servicer or HUD that default was caused by circumstances beyond the borrower’s control, the master servicer or servicer is expected to make an effort to avoid foreclosure by entering, if feasible, into one of a number of available forms of forbearance plans with the borrower. Relief may involve the reduction or suspension of Scheduled Payments for a specified period, which payments are to be made up on or before the maturity date of the Mortgage Loan, or the rescheduling or other adjustment of payments

due under the Mortgage Loan up to or beyond the scheduled maturity date. In addition, when a default caused by specified circumstances is accompanied by certain other factors, HUD may provide relief by making payments to a master servicer or servicer in partial or full satisfaction of amounts due under the Mortgage Loan (which payments, under certain circumstances, are to be repaid by the borrower to HUD). With certain exceptions, at least three full installments must be due and unpaid under the Mortgage Loan before a master servicer or servicer may initiate foreclosure proceedings.

HUD terminated its assignment program for borrowers, effective April 25, 1996. Borrowers who did not request the assignment of their mortgage to HUD prior to that date are ineligible for consideration. Under this terminated program, HUD previously accepted assignment of defaulted mortgages and paid insurance benefits to lenders. The program was available only to eligible borrowers whose default was caused by circumstances beyond their control.

On March 20, 1998, an Illinois Federal District Court in *Ferrell v. United States Department of Housing and Urban Development* (N.D. Ill. (No. 73C 334)) granted a preliminary injunction requiring HUD to reinstate the assignment program or an equivalent substitute. Plaintiffs in *Ferrell* have alleged that HUD is required to maintain the program pursuant to the terms of prior court order. It is difficult to assess what effect, if any, the final outcome of the *Ferrell* litigation will have on FHA claim policies or procedures and what effect changes in these policies or procedures, if any are made, will have on the servicing of FHA Mortgage Loans.

HUD has the option, in most cases, to pay insurance claims in cash or in debentures issued by HUD. Current practice is to pay claims in cash, and claims have not been paid in debentures since 1965. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the applicable HUD debenture interest rate. The related master servicer or servicer will be obligated to purchase any such debenture issued in satisfaction of a defaulted FHA Mortgage Loan for an amount equal to the principal balance of the debenture.

The amount of insurance benefits generally paid by the FHA is equal to the unpaid principal balance of the defaulted mortgage loan, plus amounts to reimburse the mortgagee for certain costs and expenses, less certain amounts received or retained by the mortgagee after default. When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance to HUD, the mortgagee is compensated for no more than two-thirds of its foreclosure costs, and for interest accrued and unpaid from a date 60 days after the borrower's first uncorrected failure to perform any obligation or make any payment due under the mortgage loan and, upon assignment, interest from the date of assignment to the date of payment of the claim, in each case at the applicable HUD debenture interest rate, provided all applicable HUD requirements have been met.

Although FHA insurance proceeds include accrued and unpaid interest on the defaulted mortgage loan, the amount of interest paid may be substantially less than accrued interest. As described above, FHA will reimburse interest at the applicable debenture interest rate, which will generally be lower than the Mortgage Rate on the related Mortgage Loan. Negative interest spread between the debenture rate and the Mortgage Rate, as well as the failure of FHA insurance to cover the first 60 days of accrued and unpaid interest and all foreclosure expenses as described above, could result in losses to securityholders. The interest payable may be curtailed if a master servicer or servicer has not met FHA's timing requirements for certain actions during the foreclosure and conveyance process. When a master servicer or servicer exceeds the timing requirements and has not obtained an extension from FHA, FHA will pay interest only to the date the particular action should have been completed.

VA Mortgage Loans are partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended, which permits a veteran (or in certain instances the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one- to four-family dwelling unit or to refinance an existing guaranteed loan. The program requires no down payment from the purchaser and permits the guarantee of mortgage loans of up to 30 years' duration. The maximum guaranty that may be issued by the VA under a VA guaranteed mortgage loan depends upon the original principal

balance of the mortgage loan. At present, the maximum guaranty that may be issued by the VA under a VA guaranteed mortgage loan is 50% of the unpaid principal balance of a loan of \$45,000 or less, \$22,500 for any loan of more than \$45,000 but less than \$56,250, to the lesser of \$36,000 or 40% of the principal balance of a loan of \$56,251 to \$144,000, and, for loans of more than \$144,000, the lesser of 25% of the principal balance of the mortgage loan or \$50,750.

With respect to a defaulted VA guaranteed mortgage loan, the mortgagee is, absent exceptional circumstances, authorized to foreclose only after the default has continued for three months. Generally, a claim for the guarantee is submitted after foreclosure and after the filing with the VA by the mortgagee of a notice of election to convey the related mortgaged property to the VA.

In instances where the net value of the mortgaged property securing a VA guaranteed mortgage loan is less than the unguaranteed portion of the indebtedness outstanding (including principal, accrued interest and certain limited foreclosure costs and expenses) on the related mortgage loan, the VA may notify the mortgagee that it will not accept conveyance of the mortgaged property (a “No-Bid”). In the case of a No-Bid, the VA will pay certain guaranty benefits to the mortgagee and the mortgagee will generally take title to and liquidate the mortgaged property. The guaranty benefits payable by the VA in the case of a No-Bid will be an amount equal to the original guaranteed amount or, if less, the initial guarantee percentage multiplied by the outstanding indebtedness with respect to the defaulted mortgage loan. The amount of the guarantee decreases *pro rata* with any decrease in the amount of indebtedness (which may include accrued and unpaid interest and certain expenses of the mortgagee, including foreclosure expenses) up to the amount originally guaranteed.

When the mortgagee receives the VA’s No-Bid instructions with respect to a defaulted mortgage loan, the mortgagee has the right (but not the obligation) to waive or satisfy a portion of the indebtedness outstanding with respect to the defaulted mortgage loan by an amount that would cause the unguaranteed portion of the indebtedness (including principal, accrued interest and certain limited foreclosure costs and expenses) after giving effect to the reduction to be less than the net value of the mortgaged property securing the mortgage loan (a “Buydown”). In the case of a Buydown, the VA will accept conveyance of the mortgaged property and the mortgagee will suffer a loss to the extent of the indebtedness that was satisfied or waived in order to effect the Buydown, in addition to any other losses resulting from unreimbursed foreclosure costs and expenses and interest that may have accrued beyond the applicable VA cut-off date.

In the event the VA elects a No-Bid, the amount paid by the VA cannot exceed the original guaranteed amount or, if less, the initial guarantee percentage multiplied by the outstanding indebtedness with respect to the defaulted Mortgage Loan. The amount of the guarantee decreases *pro rata* with any decrease in the amount of indebtedness, as described above. As a result of these limitations, losses associated with defaulted VA Mortgage Loans could be substantial.

#### *Pool Insurance Policy*

If specified in the prospectus supplement, the master servicer will be required to maintain a pool insurance policy for the Loans in the trust fund on behalf of the trustee and the securityholders. See “Servicing of Loans — Maintenance of Insurance Policies and Other Servicing Procedures.” Although the terms and conditions of pool insurance policies vary to some degree, the following describes material aspects of the policies generally.

The prospectus supplement will describe any provisions of a pool insurance policy that are materially different from those described below. It may also be a condition precedent to the payment of any claim under the pool insurance policy that the insured maintain a primary mortgage insurance policy that is acceptable to the pool insurer on all Mortgage Loans in the related trust fund that have Loan-to-Value Ratios at the time of origination in excess of 80% and that a claim under the primary mortgage insurance policy has been submitted and settled. FHA Insurance and VA Guarantees may be deemed to be acceptable primary insurance policies under the pool insurance policy.

Assuming satisfaction of these conditions, the pool insurer will pay to the insured the amount of the loss which will generally be:

- the amount of the unpaid principal balance of the defaulted Mortgage Loan immediately prior to the approved sale of the Mortgaged Property,
- the amount of the accumulated unpaid interest on the Mortgage Loan to the date of claim settlement at the contractual rate of interest, and
- advances made by the insured as described above less certain payments.

An “approved sale” is:

- a sale of the Mortgaged Property acquired by the insured because of a default by the borrower to which the pool insurer has given prior approval,
- a foreclosure or trustee’s sale of the Mortgaged Property at a price exceeding the maximum amount specified by the pool insurer,
- the acquisition of the Mortgaged Property under the primary mortgage insurance policy by the mortgage insurer, or
- the acquisition of the Mortgaged Property by the pool insurer.

As a condition precedent to the payment of any loss, the insured must provide the pool insurer with good and marketable title to the Mortgaged Property. If any Mortgaged Property securing a defaulted Mortgage Loan is damaged and the proceeds, if any, from the related standard hazard insurance policy or the applicable special hazard insurance policy, if any, are insufficient to restore the damaged Mortgaged Property to a condition sufficient to permit recovery under the pool insurance policy, the master servicer will not be required to expend its own funds to restore the damaged property unless it determines that the restoration will increase the proceeds to the securityholders on liquidation of the Mortgage Loan after reimbursement of the master servicer for its expenses and that the expenses will be recoverable by it through liquidation proceeds or insurance proceeds.

The original amount of coverage under the mortgage pool insurance policy will be reduced over the life of the Securities by the aggregate net dollar amount of claims paid less the aggregate net dollar amount realized by the pool insurer upon disposition of all foreclosed mortgaged properties covered thereby. The amount of claims paid includes certain expenses incurred by the master servicer as well as accrued interest at the applicable interest rate on delinquent Mortgage Loans to the date of payment of the claim. See “Legal Aspects of Loans.” Accordingly, if aggregate net claims paid under a mortgage pool insurance policy reach the original policy limit, coverage under the mortgage pool insurance policy will lapse and any further losses will be borne by the trust fund, and thus will affect adversely payments on the Securities. In addition, the exhaustion of coverage under any mortgage pool insurance policy may affect the master servicer’s or servicer’s willingness or obligation to make Advances. If the master servicer or a servicer determines that an Advance in respect of a delinquent Loan would not be recoverable from the proceeds of the liquidation of the Loan or otherwise, it will not be obligated to make an advance respecting any delinquency since the Advance would not be ultimately recoverable by it. See “Servicing of Loans — Advances and Limitations Thereon.”

#### *Mortgage Insurance with Respect to Manufactured Home Loans*

A Manufactured Home Loan may be an FHA Loan or a VA Loan. Any primary mortgage or similar insurance and any pool insurance policy with respect to Manufactured Home Loans will be described in the prospectus supplement.

## **Hazard Insurance on the Loans**

### *Standard Hazard Insurance Policies*

The standard hazard insurance policies will provide for coverage at least equal to the applicable state standard form of fire insurance policy with extended coverage for property of the type securing the related Loans. In general, the standard form of fire and extended coverage policy will cover physical damage to or destruction of, the improvements on the property caused by fire, lightning, explosion, smoke, windstorm, hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy. Because the standard hazard insurance policies relating to the Loans will be underwritten by different hazard insurers and will cover properties located in various states, the policies will not contain identical terms and conditions. The basic terms, however, generally will be determined by state law and generally will be similar. Most policies typically will not cover any physical damage resulting from war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides, and mudflows), nuclear reaction, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be all-inclusive. Uninsured risks not covered by a special hazard insurance policy or other form of credit support will adversely affect distributions to securityholders. When a property securing a Loan is located in a flood area identified by HUD pursuant to the Flood Disaster Protection Act of 1973, as amended, the master servicer will be required to cause flood insurance to be maintained with respect to the property, to the extent available.

The standard hazard insurance policies covering properties securing Loans typically will contain a "coinsurance" clause which, in effect, will require the insured at all times to carry hazard insurance of a specified percentage (generally 80% to 90%) of the full replacement value of the dwellings, structures and other improvements on the Mortgaged Property in order to recover the full amount of any partial loss. If the insured's coverage falls below this specified percentage, the clause will provide that the hazard insurer's liability in the event of partial loss will not exceed the greater of (1) the actual cash value (generally defined as the replacement cost at the time and place of loss, less physical depreciation) of the dwellings, structures and other improvements damaged or destroyed and (2) the proportion of the loss, without deduction for depreciation, as the amount of insurance carried bears to the specified percentage of the full replacement cost of the dwellings, structures and other improvements on the Mortgaged Property. Since the amount of hazard insurance to be maintained on the improvements securing the Loans declines as the principal balances owing thereon decrease, and since the value of residential real estate in the area where the Mortgaged Property is located fluctuates in value over time, the effect of this requirement in the event of partial loss may be that hazard insurance proceeds will be insufficient to restore fully the damage to the Mortgaged Property.

The depositor will not require that a standard hazard or flood insurance policy be maintained for any Cooperative Loan. Generally, the Cooperative is responsible for maintenance of hazard insurance for the property owned by the Cooperative and the tenant-stockholders of that Cooperative may not maintain individual hazard insurance policies. To the extent, however, that either the Cooperative or the related borrower do not maintain insurance, or do not maintain adequate coverage, or do not apply any insurance proceeds to the restoration of damaged property, then damage to the borrower's Cooperative Dwelling or the Cooperative's building could significantly reduce the value of the Mortgaged Property securing the related Cooperative Loan. Similarly, the depositor will not require that a standard hazard or flood insurance policy be maintained for any Condominium Loan. Generally, the Condominium Association is responsible for maintenance of hazard insurance for the Condominium Building (including the individual Condominium Units) and the owner(s) of an individual Condominium Unit may not maintain separate hazard insurance policies. To the extent, however, that either the Condominium Association or the related borrower do not maintain insurance, or do not maintain adequate coverage, or do not apply any insurance proceeds to the restoration of damaged property, then damage to the borrower's Condominium Unit or the related Condominium Building could significantly reduce the value of the Mortgaged Property securing the related Condominium Loan.

### *Special Hazard Insurance Policy*

Although the terms of the policies vary to some degree, a special hazard insurance policy typically provides that, where there has been damage to property securing a defaulted or foreclosed Loan (title to which has been acquired by the insured) and to the extent the damage is not covered by the standard hazard insurance policy or any flood insurance policy, if applicable, required to be maintained with respect to the property, or in connection with partial loss resulting from the application of the coinsurance clause in a standard hazard insurance policy, the special hazard insurer will pay the lesser of (1) the cost of repair or replacement of the property and (2) upon transfer of the property to the special hazard insurer, the unpaid principal balance of the Loan at the time of acquisition of the property by foreclosure or deed in lieu of foreclosure, plus accrued interest to the date of claim settlement and certain expenses incurred by the master servicer or the servicer with respect to the property. If the unpaid principal balance plus accrued interest and certain expenses is paid by the special hazard insurer, the amount of further coverage under the special hazard insurance policy will be reduced by that amount less any net proceeds from the sale of the property. Any amount paid as the cost of repair of the property will reduce coverage by that amount. Special hazard insurance policies typically do not cover losses occasioned by war, civil insurrection, certain governmental actions, errors in design, faulty workmanship or materials (except under certain circumstances), nuclear reaction, flood (if the mortgaged property is in a federally designated flood area), chemical contamination and certain other risks.

Restoration of the property with the proceeds described under (1) above is expected to satisfy the condition under the pool insurance policy that the property be restored before a claim under the pool insurance policy may be validly presented with respect to the defaulted Loan secured by the property. The payment described under (2) above will render unnecessary presentation of a claim in respect of the Loan under the pool insurance policy. Therefore, so long as the pool insurance policy remains in effect, the payment by the special hazard insurer of the cost of repair or of the unpaid principal balance of the related Loan plus accrued interest and certain expenses will not affect the total insurance proceeds paid to holders of the Securities, but will affect the relative amounts of coverage remaining under the special hazard insurance policy and pool insurance policy.

### *Other Hazard-Related Insurance; Liability Insurance*

With respect to Loans secured by Multifamily Property, certain additional insurance policies may be required with respect to the Multifamily Property; for example, general liability insurance for bodily injury or death and property damage occurring on the property or the adjoining streets and sidewalks, steam boiler coverage where a steam boiler or other pressure vessel is in operation, interest coverage insurance, and rent loss insurance to cover operating income losses following damage or destruction of the mortgaged property. With respect to a series for which Loans secured by Multifamily Property are included in the trust fund, the prospectus supplement will specify the required types and amounts of additional insurance and describe the general terms of the insurance and conditions to payment thereunder.

### **Bankruptcy Bond**

In the event of a bankruptcy of a borrower, the bankruptcy court may establish the value of the property securing the related Loan at an amount less than the then outstanding principal balance of the Loan. The amount of the secured debt could be reduced to that value, and the holder of the Loan thus would become an unsecured creditor to the extent the outstanding principal balance of the Loan exceeds the value so assigned to the property by the bankruptcy court. In addition, certain other modifications of the terms of a Loan can result from a bankruptcy proceeding. See “Legal Aspects of Loans.” If so provided in the prospectus supplement, the master servicer will obtain a bankruptcy bond or similar insurance contract (the “bankruptcy bond”) for proceedings with respect to borrowers under the Bankruptcy Code. The bankruptcy bond will cover certain losses resulting from a reduction by a bankruptcy court of scheduled payments of principal of and interest on a Loan or a reduction by the court of the principal amount of a Loan and will cover certain unpaid interest on the amount of the principal reduction from the date of the filing of a bankruptcy petition.

The bankruptcy bond will provide coverage in the aggregate amount specified in the prospectus supplement for all Loans in the Pool secured by single unit primary residences. This amount will be reduced by payments made under the bankruptcy bond in respect of the Loans, unless otherwise specified in the prospectus supplement, and will not be restored.

**Repurchase Bond**

If specified in the prospectus supplement, the depositor or master servicer will be obligated to repurchase any Loan (up to an aggregate dollar amount specified in the prospectus supplement) for which insurance coverage is denied due to dishonesty, misrepresentation or fraud in connection with the origination or sale of the Loan. This obligation may be secured by a surety bond guaranteeing payment of the amount to be paid by the depositor or the master servicer.



## The Agreements

The following summaries describe certain material provisions of the Agreements. The summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the provisions of the Agreements. Where particular provisions or terms used in the Agreements are referred to, these provisions or terms are as specified in the related Agreement.

### Issuance of Securities

Securities representing interests in a trust fund, or an Asset Group, that the trustee will elect to have treated as a REMIC, a FASIT or a grantor trust will be issued, and the related trust fund will be created, pursuant to a trust agreement between the depositor and the trustee. A series of Notes issued by a trust fund will be issued pursuant to an indenture between the related trust fund and an indenture trustee named in the prospectus supplement. In the case of a series of Notes, the trust fund and the depositor will also enter into a sale and collection agreement with the indenture trustee and the issuer.

As applicable, the trust agreement, in the case of Certificates, and the indenture, together with the sale and collection agreement, in the case of Notes, are referred to as the “Agreements.” In the case of a series of Notes, the trust fund will be established either as a statutory business trust under the law of the state specified in the prospectus supplement or as a common law trust under the law of the state specified in the prospectus supplement pursuant to a deposit trust agreement between the depositor and an owner trustee specified in the prospectus supplement relating to that series of Notes. The Primary Assets of a trust fund will be serviced in accordance with one or more underlying servicing agreements.

### Assignment of Primary Assets

#### *General*

At the time of issuance, the depositor will transfer, convey and assign to the trustee all right, title and interest of the depositor in the Primary Assets and other property to be included in the trust fund for a series. The assignment will include all principal and interest due on or with respect to the Primary Assets after the Cut-off Date specified in the prospectus supplement (except for any Retained Interests). The trustee will, concurrently with the assignment, execute and deliver the Securities.

#### *Assignment of Private Mortgage-Backed Securities*

The depositor will cause the Private Mortgage-Backed Securities to be registered in the name of the trustee or its nominee or correspondent. The trustee or its nominee or correspondent will have possession of any certificated Private Mortgage-Backed Securities. Unless otherwise specified in the prospectus supplement, the trustee will not be in possession of or be assignee of record of any underlying assets for a Private Mortgage-Backed Security. See “The Trust Funds — Private Mortgage-Backed Securities.”

Each Private Mortgage-Backed Security will be identified in a schedule appearing as an exhibit to the related Agreement (the “Mortgage Certificate Schedule”), which will specify the original principal amount, outstanding principal balance as of the Cut-off Date, annual pass-through rate or interest rate and maturity date for each Private Mortgage-Backed Security conveyed to the trustee. In the Agreement, the depositor will represent and warrant to the trustee regarding the Private Mortgage-Backed Securities:

- (1) that the information contained in the Mortgage Certificate Schedule is true and correct in all material respects;
- (2) that, immediately prior to the conveyance of the Private Mortgage-Backed Securities, the depositor had good title thereto, and was the sole owner thereof, (subject to any Retained Interests);
- (3) that there has been no other sale by it of the Private Mortgage-Backed Securities; and

(4) that there is no existing lien, charge, security interest or other encumbrance (other than any Retained Interest) on the Private Mortgage-Backed Securities.

#### *Assignment of Mortgage Loans*

As specified in the prospectus supplement, the depositor will, as to each Mortgage Loan, deliver or cause to be delivered to the trustee, or a custodian on behalf of the trustee:

- the mortgage note endorsed without recourse to the order of the trustee or in blank;
- the original Mortgage with evidence of recording indicated thereon (except for any Mortgage not returned from the public recording office, in which case a copy of the Mortgage will be delivered, together with a certificate that the original of the Mortgage was delivered to the recording office); and
- an assignment of the Mortgage in recordable form.

The trustee, or the custodian, will hold the documents in trust for the benefit of the securityholders.

If so specified in the prospectus supplement, the depositor will, at the time of delivery of the Securities, cause assignments to the trustee of the Mortgage Loans to be recorded in the appropriate public office for real property records, except in states where, in the opinion of counsel acceptable to the trustee, recording is not required to protect the trustee's interest in the Mortgage Loan. If specified in the prospectus supplement, the depositor will cause the assignments to be so recorded within the time after delivery of the Securities as is specified in the prospectus supplement, in which event, the Agreement may, as specified in the prospectus supplement, require the depositor to repurchase from the trustee any Mortgage Loan required to be recorded but not recorded within that time, at the price described below with respect to repurchase by reason of defective documentation. Unless otherwise provided in the prospectus supplement, the enforcement of the repurchase obligation would constitute the sole remedy available to the securityholders or the trustee for the failure of a Mortgage Loan to be recorded.

With respect to any Cooperative Loans, the depositor will cause to be delivered to the trustee, its agent, or a custodian, the related original cooperative note endorsed to the order of the trustee, the original security agreement, the proprietary lease or occupancy agreement, the recognition agreement, an executed financing agreement and the relevant stock certificate and related blank stock powers. The depositor will file in the appropriate office an assignment and a financing statement evidencing the trustee's security interest in each Cooperative Loan.

The trustee, its agent, or a custodian will review the documents relating to each Mortgage Loan within the time period specified in the related Agreement after receipt thereof, and the trustee will hold the documents in trust for the benefit of the securityholders. Unless otherwise specified in the prospectus supplement, if any document is found to be missing or defective in any material respect, the trustee (or the custodian) will notify the master servicer and the depositor, and the master servicer will notify the party (the "Seller") from which the depositor, or an affiliate thereof, purchased the Mortgage Loan.

If the Seller cannot cure the omission or defect within the time period specified in the related Agreement after receipt of notice, the Seller will be obligated to purchase the related Mortgage Loan from the trustee at the Purchase Price or, if specified in the prospectus supplement, replace the Mortgage Loan with another mortgage loan that meets certain requirements set forth therein. We cannot assure you that a Seller will fulfill this purchase obligation. Although the master servicer may be obligated to enforce the obligation to the extent described above under "Loan Underwriting Procedures and Standards — Representations and Warranties," neither the master servicer nor the depositor will be obligated to purchase the Mortgage Loan if the Seller defaults on its purchase obligation, unless the breach also constitutes a breach of the representations or warranties of the master servicer or the depositor, as the case may be. Unless otherwise specified in the prospectus supplement, this purchase obligation constitutes the sole remedy available to the securityholders or the trustee for omission of, or a material defect in, any document.

Notwithstanding the foregoing provisions, with respect to a trust fund for which a REMIC or a FASIT election is to be made, unless the prospectus supplement otherwise provides, no purchase of a Mortgage Loan will be made if the purchase would result in a prohibited transaction under the Code.

Each Mortgage Loan will be identified in a schedule appearing as an exhibit to the related Agreement (the “Mortgage Loan Schedule”). The Mortgage Loan Schedule will specify the number of Mortgage Loans that are Cooperative Loans and, with respect to each Mortgage Loan: the original principal amount and unpaid principal balance as of the Cut-off Date; the current interest rate; the current Scheduled Payment of principal and interest; the maturity date of the related mortgage note; if the Mortgage Loan is an ARM, the Lifetime Mortgage Rate Cap, if any, and the current Index; and, if the Mortgage Loan is a GPM Loan, a GEM Loan, a Buy-Down Loan or a Mortgage Loan with other than fixed Scheduled Payments and level amortization, the terms thereof.

#### *Assignment of Manufactured Home Loans*

The depositor will cause any Manufactured Home Loans included in the Primary Assets for a series of Securities to be assigned to the trustee, together with principal and interest due on or with respect to the Manufactured Home Loans after the Cut-off Date specified in the prospectus supplement. Each Manufactured Home Loan will be identified in a loan schedule (the “Manufactured Home Loan Schedule”) appearing as an exhibit to the related Agreement. The Manufactured Home Loan Schedule will specify, with respect to each Manufactured Home Loan, among other things: the original principal balance and the outstanding principal balance as of the close of business on the Cut-off Date; the interest rate; the current Scheduled Payment of principal and interest; and the maturity date of the Manufactured Home Loan.

In addition, with respect to each Manufactured Home Loan, the depositor will deliver or cause to be delivered to the trustee, or, as specified in the prospectus supplement, the custodian, the original Manufactured Home Loan agreement and copies of documents and instruments related to each Manufactured Home Loan and the security interest in the Manufactured Home securing each Manufactured Home Loan. To give notice of the right, title and interest of the securityholders to the Manufactured Home Loans, the depositor will cause a UCC-1 financing statement to be filed identifying the trustee as the secured party and identifying all Manufactured Home Loans as collateral. Unless otherwise specified in the prospectus supplement, the Manufactured Home Loans agreements will not be stamped or otherwise marked to reflect their assignment from the depositor to the trustee. Therefore, if a subsequent purchaser were able to take physical possession of the Manufactured Home Loans agreements without notice of the assignment, the interest of the securityholders in the Manufactured Home Loans could be defeated. See “Legal Aspects of Loans — Manufactured Home Loans.”

#### *Assignment of Participation Certificates*

The depositor will cause any certificates evidencing a participation interest in a Loan or a pool of loans (“Participation Certificates”) obtained under a participation agreement to be assigned to the trustee by delivering to the trustee the Participation Certificates, which will be reregistered in the name of the trustee. Unless otherwise specified in the prospectus supplement, the trustee will not be in possession of or be assignee of record with respect to the Loans represented by any Participation Certificate. Each Participation Certificate will be identified in a “Participation Certificate Schedule” which will specify the original principal balance, outstanding principal balance as of the Cut-off Date, pass-through rate and maturity date for each Participation Certificate. In the related Agreement, the depositor will represent and warrant to the trustee regarding each Participation Certificate:

- that the information contained in the Participation Certificate Schedule is true and correct in all material respects;
- that, immediately prior to the conveyance of the Participation Certificates, the depositor had good title to and was sole owner of the Participation Certificates;
- that there has been no other sale by it of the Participation Certificates; and

- that the Participation Certificates are not subject to any existing lien, charge, security interest or other encumbrance (other than any Retained Interests).

### **Repurchase and Substitution of Non-Conforming Loans**

Unless otherwise provided in the prospectus supplement, if any document in the Loan file delivered by the depositor to the trustee is found by the trustee within 45 days of the execution of the related Agreement, or any other time period specified in the prospectus supplement for the related series, (or promptly after the trustee's receipt of any document permitted to be delivered after the closing date of the issuance of the series) to be defective in any material respect and the depositor does not cure the defect within 90 days, or any other period specified in the prospectus supplement, the depositor will, not later than 90 days, or any other period specified in the prospectus supplement, after the trustee's notice to the depositor or the master servicer, as the case may be, of the defect, repurchase the related Mortgage Loan or any property acquired in respect thereof from the trustee.

Unless otherwise specified in the prospectus supplement, the repurchase price will be generally equal to (a) the lesser of (1) the outstanding principal balance of the Mortgage Loan (or, in the case of a foreclosed Mortgage Loan, the outstanding principal balance of the Mortgage Loan immediately prior to foreclosure) and (2) the trust fund's federal income tax basis in the Mortgage Loan, and (b), accrued and unpaid interest to the date of the next scheduled payment on the Mortgage Loan at the related Interest Rate (less any unreimbursed Advances respecting the Mortgage Loan), *provided, however*, the purchase price will not be limited in (1) above to the trust fund's federal income tax basis if the repurchase at a price equal to the outstanding principal balance of the Mortgage Loan will not result in any prohibited transaction tax under Section 860F(a) of the Code.

If provided in the prospectus supplement, the depositor may, rather than repurchase the Loan as described above, remove the Loan from the trust fund (the "Deleted Loan") and substitute in its place one or more other Loans (each, a "Qualifying Substitute Mortgage Loan") *provided, however*, that (1) with respect to a trust fund for which no REMIC election is made, the substitution must be effected within 120 days of the date of initial issuance of the Securities and (2) with respect to a trust fund for which a REMIC election is made, the substitution must be made within two years of the date.

Any Qualifying Substitute Mortgage Loan will have, on the date of substitution, the characteristics specified in the applicable Agreement, generally including (1) an outstanding principal balance, after deduction of all Scheduled Payments due in the month of substitution, not in excess of the outstanding principal balance of the Deleted Loan (the amount of any shortfall to be deposited to the Distribution Account in the month of substitution for distribution to securityholders), (2) an interest rate not less than (and not more than 2% greater than) the interest rate of the Deleted Loan, (3) a remaining term-to-stated maturity not greater than (and not more than two years less than) that of the Deleted Loan, and will comply with all of the representations and warranties set forth in the applicable agreement as of the date of substitution.

Unless otherwise provided in the prospectus supplement, the above-described cure, repurchase or substitution obligations constitute the sole remedies available to the securityholders or the trustee for a material defect in a Loan document.

The depositor or another entity will make representations and warranties with respect to Loans that comprise the Primary Assets for a series. See "Loan Underwriting Procedures and Standards — Representations and Warranties" above. If the depositor or such entity cannot cure a breach of any representations and warranties in all material respects within 90 days after notification by the trustee of the breach, and if the breach is of a nature that materially and adversely affects the value of the Loan, the depositor or such entity is obligated to repurchase the affected Loan or, if provided in the prospectus supplement, provide a Qualifying Substitute Mortgage Loan therefor, subject to the same conditions and limitations on purchases and substitutions as described above. The depositor's only source of funds to effect any cure, repurchase or substitution will be through the enforcement of the corresponding obligations of the responsible originator or seller of the Loans.

## Reports to Securityholders

The trustee will prepare and forward to each securityholder on each Distribution Date, or as soon thereafter as is practicable, a statement setting forth, to the extent applicable to any series, among other things:

- (1) with respect to a series (a) other than a Multi-Class Series, the amount of the distribution allocable to principal on the Primary Assets, separately identifying the aggregate amount of any principal prepayments included therein and the amount, if any, advanced by the master servicer or by a servicer or (b) that is a Multi-Class Series, the amount of the principal distribution in reduction of stated principal amount (or Compound Value) of each class and the aggregate unpaid principal amount (or Compound Value) of each class following the distribution;
- (2) with respect to a series (a) other than a Multi-Class Series, the amount of the distribution allocable to interest on the Primary Assets and the amount, if any, advanced by the master servicer or a servicer or (b) that is not a Multi-Class Series, the amount of the interest distribution;
- (3) the amount of servicing compensation with respect to the Principal Assets and paid during the Due Period commencing on the Due Date to which the distribution relates and the amount of servicing compensation during that period attributable to penalties and fees;
- (4) the aggregate outstanding principal balance of the Principal Assets as of the opening of business on the Due Date, after giving effect to distributions allocated to principal and reported under (1) above;
- (5) the aggregate outstanding principal amount of the Securities of the related series as of the Due Date, after giving effect to distributions allocated to principal reported under (1) above;
- (6) with respect to Compound Interest Securities, prior to the Accrual Termination Date in addition to the information specified in (1)(b) above, the amount of interest accrued on the Securities during the related interest accrual period and added to the Compound Value thereof;
- (7) in the case of Floating Rate Securities, the Floating Rate applicable to the distribution being made;
- (8) if applicable, the amount of any shortfall (*i.e.*, the difference between the aggregate amounts of principal and interest which securityholders would have received if there were sufficient eligible funds in the Distribution Account and the amounts actually distributed);
- (9) if applicable, the number and aggregate principal balances of Loans delinquent for (A) two consecutive payments and (B) three or more consecutive payments, as of the close of the business on the determination date to which the distribution relates;
- (10) if applicable, the value of any REO Property acquired on behalf of securityholders through foreclosure, grant of a deed in lieu of foreclosure or repossession as of the close of the business on the Business Day preceding the Distribution Date to which the distribution relates;
- (11) the amount of any withdrawal from any applicable reserve fund included in amounts actually distributed to securityholders and the remaining balance of each reserve fund (including any Subordinated Reserve Fund), if any, on the Distribution Date, after giving effect to distributions made on that date; and
- (12) any other information as specified in the related Agreement.

In addition, within a reasonable period of time after the end of each calendar year the trustee, unless otherwise specified in the prospectus supplement, will furnish to each securityholder of record at any time during the calendar year: (a) the aggregate of amounts reported pursuant to (1) through (4), (6) and (8) above for the calendar year and (b) the information specified in the related Agreement to enable securityholders to

prepare their tax returns including, without limitation, the amount of original issue discount accrued on the Securities, if applicable. Information in the Distribution Date and annual reports provided to the securityholders will not have been examined and reported upon by an independent public accountant. However, the master servicer will provide to the trustee a report by independent public accountants with respect to the master servicer's servicing of the Loans. See "Servicing of Loans — Evidence as to Compliance."

### **Investment of Funds**

The Distribution Account, Collection Account or Custodial Account, if any, and any other funds and accounts for a series that may be invested by the trustee or by the master servicer (or by the servicer, if any), can be invested only in "Eligible Investments" acceptable to each Rating Agency, which may include, without limitation:

- direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America, Freddie Mac, Fannie Mae or any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America;
- demand and time deposits, certificates of deposit or bankers' acceptances;
- repurchase obligations pursuant to a written agreement with respect to any security described in the first clause above;
- securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state;
- commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof);
- a guaranteed investment contract issued by an entity having a credit rating acceptable to each Rating Agency; and
- any other demand, money market or time deposit or obligation, security or investment as would not adversely affect the then current rating by the Rating Agencies.

Funds held in a reserve fund or Subordinated Reserve Fund may be invested in certain eligible reserve fund investments which may include Eligible Investments, mortgage loans, mortgage pass-through or participation securities, mortgage-backed bonds or notes or other investments to the extent specified in the prospectus supplement ("Eligible Reserve Fund Investments").

Eligible Investments or Eligible Reserve Fund Investments with respect to a series will include only obligations or securities that mature on or before the date on which the amounts in the Collection Account are required to be remitted to the trustee and amounts in the Distribution Account, any Reserve Fund or the Subordinated Reserve Fund for the related series are required or may be anticipated to be required to be applied for the benefit of securityholders of the series.

If so provided in the prospectus supplement, the reinvestment income from the Subordination Reserve Fund, other Reserve Fund, Servicing Account, Collection Account or the Distribution Account may be property of the master servicer or a servicer and not available for distributions to securityholders. See "Servicing of Loans."

## **Event of Default; Rights Upon Event of Default**

### *Trust Agreement*

As specified in the prospectus supplement, events of default under the trust agreement for a series of Certificates include:

- any failure by the master servicer or servicer to distribute or remit any required payment that continues unremedied for five business days (or any shorter period as is specified in the applicable agreement) after the giving of written notice of the failure to the master servicer or servicer by the trustee for the related series, or to the master servicer or servicer and the trustee by the holders of Certificates of the series evidencing not less than a specified percentage of the aggregate outstanding principal amount of the Certificates for the series;
- any failure by the master servicer or servicer duly to observe or perform in any material respect any other of its covenants or agreements in the trust agreement that continues unremedied for a specified number of days after the giving of written notice of the failure to the master servicer or servicer by the trustee, or to the master servicer or servicer and the trustee by the holders of Certificates of the related series evidencing not less than 25% of the aggregate outstanding principal amount of the Certificates; and
- certain events in insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by the master servicer or servicer indicating its insolvency, reorganization or inability to pay its obligations.

So long as an Event of Default remains unremedied under the trust agreement for a series, the trustee for the related series or holders of Certificates of the series evidencing not less than a specified percentage of the aggregate outstanding principal amount of the Certificates for the series may terminate all of the rights and obligations of the master servicer as servicer under the trust agreement and in and to the Mortgage Loans (other than its right to recovery of other expenses and amounts advanced pursuant to the terms of the trust agreement which rights the master servicer will retain under all circumstances), whereupon the trustee will succeed to all the responsibilities, duties and liabilities of the master servicer under the trust agreement and will be entitled to reasonable servicing compensation not to exceed the applicable servicing fee, together with other servicing compensation in the form of assumption fees, late payment charges or otherwise as provided in the trust agreement.

In the event that the trustee is unwilling or unable so to act, it may select, or petition a court of competent jurisdiction to appoint, a housing and home finance institution, bank or mortgage servicing institution with a net worth of at least \$15,000,000 to act as successor master servicer under the provisions of the trust agreement relating to the servicing of the Mortgage Loans. The successor master servicer would be entitled to reasonable servicing compensation in an amount not to exceed the Servicing Fee as set forth in the prospectus supplement, together with the other servicing compensation in the form of assumption fees, late payment charges or otherwise, as provided in the trust agreement.

During the continuance of any event of default under the trust agreement for a series, the trustee for that series will have the right to take action to enforce its rights and remedies and to protect and enforce the rights and remedies of the Certificateholders of that series, and holders of Certificates evidencing not less than a specified percentage of the aggregate outstanding principal amount of the Certificates for that series may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred upon that trustee. However, the trustee will not be under any obligation to pursue any remedy or to exercise any of the trusts or powers unless the Certificateholders have offered the trustee reasonable security or indemnity against the cost, expenses and liabilities that may be incurred by the trustee therein or thereby. Also, the trustee may decline to follow the direction if the trustee determines that the action or proceeding so directed may not lawfully be taken or would involve it in personal liability or be unjustly prejudicial to the non-assenting Certificateholders.

No holder of a series of Certificates, solely by virtue of that holder's status as a Certificateholder, will have any right under the trust agreement for the related series to institute any proceeding with respect to the trust agreement, unless that holder previously has given to the trustee for that series written notice of default and unless the holders of Certificates evidencing not less than a specified percentage of the aggregate outstanding principal amount of the Certificates for that series have made written request upon the trustee to institute a proceeding in its own name as trustee thereunder and have offered to the trustee reasonable indemnity, and the trustee for a specified number of days has neglected or refused to institute such a proceeding.

#### *Indenture*

As specified in the prospectus supplement, events of default under the indenture for each series of Notes generally include:

- a default for a specified number of days in the payment of any interest or installment of principal on a Note of that series, to the extent specified in the prospectus supplement, or the default in the payment of the principal of any Note at the Note's maturity;
- failure to perform in any material respect any other covenant of the trust in the indenture that continues for a specified number of days after notice is given in accordance with the procedures described in the prospectus supplement;
- any failure to observe or perform any covenant or agreement of the trust, or any representation or warranty made by the trust in the indenture or in any certificate or other writing delivered pursuant or in connection with the series having been incorrect in a material respect as of the time made, and that breach is not cured within a specified number of days after notice is given in accordance with the procedures described in the prospectus supplement;
- certain events of bankruptcy, insolvency, receivership or liquidation of the trust; or
- any other event of default provided with respect to Notes of that series.

If an event of default with respect to the Notes of any series at the time outstanding occurs and is continuing, subject to the terms of the indenture, either the trustee or the holders of a specified percentage of the then aggregate outstanding amount of the Notes of the series may declare the principal amount or, if the Notes of that series are zero coupon securities, that portion of the principal amount as may be specified in the terms of that series, of all the Notes of the series to be due and payable immediately. That declaration may, under certain circumstances, be rescinded and annulled by the holders of a specified percentage in aggregate outstanding amount of the Notes of that series.

If, following an event of default with respect to any series of Notes, the Notes of that series have been declared to be due and payable, the trustee may, in its discretion, notwithstanding any acceleration, elect to maintain possession of the collateral securing the Notes of the series and to continue to apply distributions on the collateral as if there had been no declaration of acceleration if the collateral continues to provide sufficient funds for the payment of principal and interest on the Notes of that series as they would have become due if there had not been a declaration of acceleration. In addition, the trustee may not sell or otherwise liquidate the collateral securing the Notes of a series following an event of default, unless:

- the holders of 100% (or any other percentages specified in the indenture) of the then aggregate outstanding amount of the Notes (or certain classes of Notes) of the series consent to the sale;
- the proceeds of the sale or liquidation are sufficient to pay in full the principal and accrued interest, due and unpaid, on the outstanding Notes of the series at the date of the sale; or
- the trustee determines that the collateral would not be sufficient on an ongoing basis to make all payments on the Notes as the payments would have become due if the Notes had not been declared



due and payable, and the trustee obtains the consent of the holders of a specified percentage of the then aggregate outstanding amount of the Notes of the series.

As specified in the prospectus supplement, in the event the principal of the Notes of a series is declared due and payable, the holders of any Notes issued at a discount from par may be entitled to receive no more than an amount equal to the unpaid principal amount less the amount of the discount that is unamortized.

Subject to the provisions for indemnification and certain limitations contained in the indenture, the holders of a specified percentage of the then aggregate outstanding amount of the Notes of a series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Notes of the series, and the holders of a specified percentage of the then aggregate outstanding amount of the Notes of that series may, in certain cases, waive any default, except a default in the payment of principal or interest or a default in respect of a covenant or provision of the indenture that cannot be modified without the waiver or consent of all the holders of the outstanding Notes of that series affected thereby.

### **The Trustee**

The identity of the commercial bank, savings and loan association or trust company named as the trustee for each series of Securities will be set forth in the prospectus supplement. The entity serving as trustee may have normal banking relationships with the depositor or the master servicer. In addition, for the purpose of meeting the legal requirements of certain local jurisdictions, the trustee will have the power to appoint co-trustees or separate trustees of all or any part of the trust fund relating to a series of Securities. In the event of such appointment, all rights, powers, duties and obligations conferred or imposed upon the trustee by the Agreement relating to that series will be conferred or imposed upon the trustee and each separate trustee or co-trustee jointly, or, in any jurisdiction in which the trustee is incompetent or unqualified to perform certain acts, singly upon the separate trustee or co-trustee who will exercise and perform those rights, powers, duties and obligations solely at the direction of the trustee. The trustee may also appoint agents to perform any of the responsibilities of the trustee, which agents will have any or all of the rights, powers, duties and obligations of the trustee conferred on them by their appointment; provided that the trustee will continue to be responsible for its duties and obligations under the Agreement.

### **Duties of the Trustee**

The trustee makes no representations as to the validity or sufficiency of the Agreements, the Securities or of any Primary Asset or related documents. If no event of default (as defined in the related Agreement) has occurred, the trustee is required to perform only those duties specifically required of it under the Agreement. Upon receipt of the various certificates, statements, reports or other instruments required to be furnished to it, the trustee is required to examine them to determine whether they are in the form required by the related Agreement, however, the trustee will not be responsible for the accuracy or content of any documents furnished by it or the securityholders to the master servicer under the related Agreement.

The trustee may be held liable for its own negligent action or failure to act, or for its own willful misconduct; *provided, however*, that the trustee will not be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the securityholders in an event of default, see “Event of Default; Rights Upon Event of Default” above. The trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of those funds or adequate indemnity against risk or liability is not reasonably assured to it.

### **Resignation of Trustee**

The trustee may, upon written notice to the depositor, resign at any time, in which event the depositor will be obligated to use its best efforts to appoint a successor trustee. If no successor trustee has been appointed and has accepted the appointment within a specified number of days after giving notice of

resignation, the resigning trustee or the securityholders may petition any court of competent jurisdiction for appointment of a successor trustee.

The trustee may also be removed at any time:

- if the trustee ceases to be eligible to continue to act as trustee under the Agreement;
- if the trustee becomes insolvent; or
- by the securityholders of securities evidencing a specified percentage of the aggregate voting rights of the securities in the trust fund upon written notice to the trustee and to the depositor.

Any resignation or removal of the trustee and appointment of a successor trustee will not become effective until acceptance of the appointment by the successor trustee.

### **Distribution Account**

The trustee will establish a separate account (the “Distribution Account”) in its name as trustee for the securityholders. Unless otherwise specified in the prospectus supplement, the Distribution Account will be maintained as an interest bearing account or the funds held therein may be invested, pending disbursement to securityholders of the related series, pursuant to the terms of the Agreement, in Eligible Investments. If specified in the prospectus supplement, the master servicer will be entitled to receive as additional compensation, any interest or other income earned on funds in the Distribution Account. The trustee will deposit into the Distribution Account on the Business Day received all funds received from the master servicer and required withdrawals from any Reserve Funds. Unless otherwise specified in the prospectus supplement, the trustee is permitted from time to time to make withdrawals from the Distribution Account for each series to remove amounts deposited therein in error, to pay to the master servicer any reinvestment income on funds held in the Distribution Account to the extent it is entitled, to remit to the master servicer its Servicing Fee to the extent not previously withdrawn from the Collection Account, to make deposits to any Reserve Fund, to make regular distributions to the securityholders and to clear and terminate the Distribution Account.

Unless otherwise specified in the prospectus supplement, “Business Day” means a day that, in the city of New York or in the city or cities in which the corporate trust office of the trustee are located, is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law, regulation or executive order to be closed.

### **Expense Reserve Fund**

If specified in the prospectus supplement relating to a series, the depositor may deposit on the related closing date of the issuance of a series in an account to be established with the trustee (the “Expense Reserve Fund”) cash or eligible investments that will be available to pay anticipated fees and expenses of the trustee or other agents. The Expense Reserve Fund for a series may also be funded over time through the deposit therein of all or a portion of cash flow, to the extent described in the prospectus supplement. The Expense Reserve Fund, if any, will not be part of the trust fund held for the benefit of the holders. Amounts on deposit in any Expense Reserve Fund will be invested in one or more Eligible Investments.

### **Amendment of Agreement**

Unless otherwise specified in the prospectus supplement, the Agreement for each series of Securities may be amended by the parties to the Agreement, without notice to or consent of the securityholders:

- (1) to cure any ambiguity;
- (2) to conform to the provisions of the prospectus supplement and prospectus, to correct any defective provisions or to supplement any provision;

- (3) to add any other provisions with respect to matters or questions arising under the Agreement; or
- (4) to comply with any requirements imposed by the Code;

provided that any amendment except pursuant to clause (3) above, will not adversely affect in any material respect the interests of any securityholders of the related series not consenting thereto. If provided in the Agreement, any amendment pursuant to clause (3) of the preceding sentence will be deemed not to adversely affect in any material respect the interests of any securityholder if the trustee receives written confirmation from each Rating Agency rating the Securities of that series that the amendment will not cause the Rating Agency to reduce the then current rating.

As specified in the prospectus supplement, the Agreement may also be amended by the parties to the Agreement with the consent of the securityholders possessing a specified percentage of the aggregate outstanding principal amount of the Securities (or, if only certain classes are affected by the amendment, a specified percentage of the aggregate outstanding principal amount of each class affected), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement or modifying in any manner the rights of securityholders; *provided, however*, that no amendment may:

- reduce the amount or delay the timing of payments on any Security without the consent of the holder of that Security; or
- reduce the percentage required to consent to the amendment, without the consent of securityholders of 100% of each class of Securities affected by the amendment.

### **Voting Rights**

The prospectus supplement may set forth a method of determining allocation of voting rights with respect to a series of Securities.

### **REMIC or FASIT Administrator**

For any Multi-Class Series with respect to which a REMIC or FASIT election is made, preparation of certain reports and certain other administrative duties with respect to the trust fund may be performed by a REMIC or a FASIT administrator, who may be an affiliate of the depositor.

### **Administration Agreement**

If specified in the prospectus supplement for a series of Notes, the depositor, the trust fund and an administrator specified in the prospectus supplement will enter into an administration agreement. The administrator will agree, to the extent provided in the administration agreement, to provide certain notices and to perform certain other administrative obligations required to be performed by the trust fund under the sale and collection agreement, the indenture and the deposit trust agreement. Certain additional administrative functions may be performed on behalf of the trust fund by the depositor.

### **Termination**

#### *Trust Agreement*

The obligations created by the trust agreement for a series will terminate upon the distribution to securityholders of all amounts distributable to them pursuant to the trust agreement after the earlier of:

- the later of (a) the final payment or other liquidation of the last Mortgage Loan remaining in the trust fund for the related series and (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure in respect of any Mortgage Loan (“REO Property”); and
- the repurchase, as described below, by the master servicer from the trustee for the related series of all Mortgage Loans at that time subject to the trust agreement and all REO Property.

As specified in the prospectus supplement, the trust agreement for each series permits, but does not require, the specified entity to repurchase from the trust fund for that series all remaining Mortgage Loans at a price equal, unless otherwise specified in the prospectus supplement, to:

- 100% of the Aggregate Asset Principal Balance of the Mortgage Loans, plus
- with respect to REO Property, if any, the outstanding principal balance of the related Mortgage Loan, *minus*
- related unreimbursed Advances, or in the case of the Mortgage Loans, only to the extent not already reflected in the computation of the Aggregate Asset Principal Balance of the Mortgage Loans, *minus*
- unreimbursed expenses that are reimbursable pursuant to the terms of the trust agreement, *plus*
- accrued interest at the weighted average Mortgage Rate through the last day of the Due Period in which the repurchase occurs;

*provided, however*, that if an election is made for treatment as a REMIC or as a FASIT under the Code, the repurchase price may equal the greater of:

- 100% of the Aggregate Asset Principal Balance of the Mortgage Loans, plus accrued interest thereon at the applicable Net Mortgage Rates through the last day of the month of the repurchase, and
- the aggregate fair market value of the Mortgage Loans; plus the fair market value of any property acquired in respect of a Mortgage Loan and remaining in the trust fund.

The exercise of this right will effect early retirement of the Certificates of the series, but the master servicer's right to so purchase is subject to the Aggregate Principal Balance of the Mortgage Loans at the time of repurchase being less than a fixed percentage, to be set forth in the prospectus supplement, of the aggregate asset principal balance on the Cut-off Date. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last survivor of a certain person identified therein. For each series, the master servicer or the trustee, as applicable, will give written notice of termination of the Agreement to each securityholder, and the final distribution will be made only upon surrender and cancellation of the Certificates at an office or agency specified in the notice of termination. If so provided in the prospectus supplement for a series, the depositor or another entity may effect an optional termination of the trust fund under the circumstances described in the prospectus supplement. See "Description of the Securities — Optional Termination."

#### *Indenture*

The indenture will be discharged with respect to a series of Notes, except with respect to certain continuing rights specified in the indenture, upon the delivery to the trustee for cancellation of all the Notes or, with certain limitations, upon deposit with the trustee of funds sufficient for the payment in full of all of the Notes.

In addition, with certain limitations, the indenture may provide that the trust will be discharged from any and all obligations in respect of the Notes, except for certain administrative duties, upon the deposit with the trustee of money or direct obligations of or obligations guaranteed by the United States of America which through the payment of interest and principal in accordance with their terms will provide funds in an amount sufficient to pay the principal of and each installment of interest on the Notes on the stated maturity date and any installment of interest on the Notes in accordance with the terms of the indenture and the Notes. In the event of any defeasance and discharge of Notes, holders of the Notes will be able to look only to the funds or direct obligations for payment of principal and interest, if any, on their Notes until maturity.

## **Legal Aspects of Loans**

The following discussion contains summaries of certain legal aspects of housing loans that are general in nature. Because certain of these legal aspects are governed by applicable state law (which laws may differ substantially), the summaries do not purport to be complete nor to reflect the laws of any particular state, nor to encompass the laws of all states in which the properties securing the housing loans are situated. The summaries are qualified in their entirety by reference to the applicable federal and state laws governing the Loans.

### **Mortgages**

The Mortgage Loans (other than any Cooperative Loans) comprising or underlying the Primary Assets for a series will be secured by either mortgages or deeds of trust or deeds to secure debt, depending upon the prevailing practice in the state in which the property subject to a Mortgage Loan is located. The filing of a mortgage, deed of trust or deed to secure debt creates a lien or title interest upon the real property covered by the instrument and represents the security for the repayment of an obligation that is customarily evidenced by a promissory note. It is not prior to the lien for real estate taxes and assessments or other charges imposed under governmental police powers. Priority with respect to the instruments depends on their terms, the knowledge of the parties to the mortgage and generally on the order of recording with the applicable state, county or municipal office. There are two parties to a mortgage, the mortgagor, who is the borrower/homeowner or the land trustee (as described below), and the mortgagee, who is the lender. Under the mortgage instrument, the mortgagor delivers to the mortgagee a note or bond and the mortgage. In the case of a land trust, there are three parties because title to the property is held by a land trustee under a land trust agreement of which the borrower/homeowner is the beneficiary; at origination of a mortgage loan, the borrower executes a separate undertaking to make payments on the mortgage note. A deed of trust transaction normally has three parties, the trustor, who is the borrower/homeowner; the beneficiary, who is the lender, and the trustee, a third-party grantee. Under a deed of trust, the trustor grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale, to the trustee to secure payment of the obligation. The mortgagee's authority under a mortgage and the trustee's authority under a deed of trust are governed by the law of the state in which the real property is located, the express provisions of the mortgage or deed of trust, and, in some cases, in deed of trust transactions, the directions of the beneficiary.

### **Junior Mortgages; Rights of Senior Mortgages**

If specified in the applicable prospectus supplement, certain Mortgage Loans included in the pool of Mortgage Loans will be secured by junior mortgages or deeds of trust that are subordinate to senior mortgages or deeds of trust held by other lenders or institutional investors. The rights of the trust fund (and therefore the securityholders) as beneficiary under a junior deed of trust or as mortgagee under a junior mortgage, are subordinate to those of the mortgagee or beneficiary under the senior mortgage or deed of trust, including the prior rights of the senior mortgagee or beneficiary to receive rents, hazard insurance and condemnation proceeds and to cause the property securing the Mortgage Loan to be sold upon default of the mortgagor or trustor, thereby extinguishing the junior mortgagee's or junior beneficiary's lien unless the servicer asserts its subordinate interest in a property in foreclosure litigation or satisfies the defaulted senior loan. As discussed more fully below, in many states a junior mortgagee or beneficiary may satisfy a defaulted senior loan in full, or may cure the default and bring the senior loan current, in either event adding the amounts expended to the balance due on the junior loan. Absent a provision in the senior mortgage, no notice of default is required to be given to the junior mortgagee.

The standard form of the mortgage or deed of trust used by many institutional lenders confers on the mortgagee or beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any condemnation proceedings, and to apply the proceeds and awards to any indebtedness secured by the mortgage or deed of trust, in the order as the mortgagee or beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the mortgagee or beneficiary under the senior mortgage or deed of trust will have the prior right to collect any insurance proceeds payable under

a hazard insurance policy and any award of damages in connection with the condemnation and to apply the same to the indebtedness secured by the senior mortgage or deed of trust. Proceeds in excess of the amount of senior mortgage indebtedness will, in most cases, be applied to the indebtedness of a junior mortgage or trust deed. The laws of certain states may limit the ability of mortgagees or beneficiaries to apply the proceeds of hazard insurance and partial condemnation awards to the secured indebtedness. In those states, the mortgagor or trustor must be allowed to use the proceeds of hazard insurance to repair the damage unless the security of the mortgagee or beneficiary has been impaired. Similarly, in certain states, the mortgagee or beneficiary is entitled to the award for a partial condemnation of the real property security only to the extent that its security is impaired.

The form of mortgage or deed of trust used by many institutional lenders typically contains a “future advance” clause, which provides, in essence, that additional amounts advanced to or on behalf of the mortgagor or trustor by the mortgagee or beneficiary are to be secured by the mortgage or deed of trust. While a future advance clause is valid under the laws of most states, the priority of any advance made under the clause depends, in some states, on whether the advance was an “obligatory” or “optional” advance. If the mortgagee or beneficiary is obligated to advance the additional amounts, the advance may be entitled to receive the same priority as amounts initially made under the mortgage or deed of trust, notwithstanding that there may be intervening junior mortgages or deeds of trust and other liens between the date of recording of the mortgage or deed of trust and the date of the future advance, and notwithstanding that the mortgagee or beneficiary had actual knowledge of the intervening junior mortgages or deeds of trust and other liens at the time of the advance. Where the mortgagee or beneficiary is not obligated to advance the additional amounts and has actual knowledge of the intervening junior mortgages or deeds of trust and other liens, the advance may be subordinate to the intervening junior mortgages or deeds of trust and other liens. Priority of advances under a “future advance” clause rests, in many other states, on state law giving priority to all advances made under the loan agreement up to a “credit limit” amount stated in the recorded mortgage.

Another provision typically found in the form of the mortgage or deed of trust used by many institutional lenders obligates the mortgagor or trustor to pay before delinquency all taxes and assessments on the property and, when due, all encumbrances, charges and liens on the property that appear prior to the mortgage or deed of trust, to provide and maintain fire insurance on the property, to maintain and repair the property and not to commit or permit any waste thereof, and to appear in and defend any action or proceeding purporting to affect the property or the rights of the mortgagee or beneficiary under the mortgage or deed of trust. Upon a failure of the mortgagor or trustor to perform any of these obligations, the mortgagee or beneficiary is given the right under the mortgage or deed of trust to perform the obligation itself, at its election, with the mortgagor or trustor agreeing to reimburse the mortgagee or beneficiary for any sums expended by the mortgagee or beneficiary on behalf of the mortgagor or trustor. All sums so expended by the mortgagee or beneficiary become part of the indebtedness secured by the mortgage or deed of trust.

The form of mortgage or deed of trust used by many institutional lenders typically requires the mortgagor or trustor to obtain the consent of the mortgagee or beneficiary in respect of actions affecting the mortgaged property, including, without limitation, leasing activities (including new leases and termination or modification of existing leases), alterations and improvements to buildings forming a part of the mortgaged property and management and leasing agreements for the mortgaged property. Tenants will often refuse to execute a lease unless the mortgagee or beneficiary executes a written agreement with the tenant not to disturb the tenant’s possession of its premises in the event of a foreclosure. A senior mortgagee or beneficiary may refuse to consent to matters approved by a junior mortgagee or beneficiary with the result that the value of the security for the junior mortgage or deed of trust is diminished. For example, a senior mortgagee or beneficiary may decide not to approve a lease or to refuse to grant a tenant a non-disturbance agreement. If, as a result, the lease is not executed, the value of the mortgaged property may be diminished.

### **Cooperative Loans**

If specified in the prospectus supplement, the Mortgage Loans may also contain Cooperative Loans evidenced by promissory notes secured by security interests in shares issued by private corporations that are entitled to be treated as housing cooperatives under the Code and in the related proprietary leases or

occupancy agreements granting exclusive rights to occupy specific dwelling units in the corporations' buildings. The security agreement will create a lien upon, or grant a title interest in, the property that it covers, the priority of which will depend on the terms of the particular security agreement as well as the order of recordation of the agreement in the appropriate recording office. This lien or title interest is not prior to the lien for real estate taxes and assessments and other charges imposed under governmental police powers.

Cooperative Loans are not secured by liens on real estate. The "owner" of a cooperative apartment does not own the real estate constituting the apartment, but owns shares of stock in a corporation that holds title to the building in which the apartment is located, and by virtue of owning the stock is entitled to a proprietary lease or occupancy agreement to occupy the specific apartment. A Cooperative Loan is a loan secured by a lien on the shares and an assignment of the lease or occupancy agreement. If the borrower defaults on a Cooperative Loan, the lender's remedies are similar to the remedies that apply to a foreclosure of a leasehold mortgage or deed of trust, in that the lender can foreclose the loan and assume ownership of the shares and of the borrower's rights as lessee under the related proprietary lease or occupancy agreement. Typically, the lender and the cooperative housing corporation enter into a recognition agreement that establishes the rights and obligations of both parties in the event of a default by the borrower on its obligations under the lease or occupancy agreement.

A corporation that is entitled to be treated as a housing cooperative under the Code owns all the real property or some interest therein sufficient to permit it to own the building and all separate dwelling units therein. The Cooperative is directly responsible for property management and, in most cases, payment of real estate taxes and hazard and liability insurance. If there is a blanket mortgage or mortgages on the cooperative apartment building and/or underlying land, as is generally the case, or an underlying lease of the land, as is the case in some instances, the Cooperative, as property mortgagor, is also responsible for meeting these mortgage and rental obligations. The interest of the occupant under proprietary leases or occupancy agreements as to which that Cooperative is the landlord are generally subordinate to the interest of the holder of a blanket mortgage and to the interest of the holder of a land lease.

If the Cooperative is unable to meet the payment obligations (1) arising under a blanket mortgage, the mortgagee holding a blanket mortgage could foreclose on that mortgage and terminate all subordinate proprietary leases and occupancy agreements or (2) arising under its land lease, the holder of the land lease could terminate it and all subordinate proprietary leases and occupancy agreements. Also, a blanket mortgage on a Cooperative may provide financing in the form of a mortgage that does not fully amortize, with a significant portion of principal being due in one final payment at maturity. The inability of the Cooperative to refinance a mortgage and its consequent inability to make final payment could lead to foreclosure by the mortgagee. Similarly, a land lease has an expiration date and the inability of the Cooperative to extend its term or, in the alternative, to purchase the land could lead to termination of the Cooperative's interest in the property and termination of all proprietary leases and occupancy agreements. A foreclosure by the holder of a blanket mortgage could eliminate or significantly diminish the value of any collateral held by the lender who financed an individual tenant-stockholder of Cooperative shares or, in the case of the Mortgage Loans, the collateral securing the Cooperative Loans. Similarly, the termination of the land lease by its holder could eliminate or significantly diminish the value of any collateral held by the lender who financed an individual tenant-stockholder of the Cooperative shares or, in the case of the Mortgage Loans, the collateral securing the Cooperative Loans.

The Cooperative is owned by tenant-stockholders who, through ownership of stock or shares in the corporation, receive proprietary leases or occupancy agreements that confer exclusive rights to occupy specific units. Generally, a tenant-stockholder of a Cooperative must make a monthly payment to the Cooperative representing the tenant-stockholder's *pro rata* share of the Cooperative's payments for its blanket mortgage, real property taxes, maintenance expenses and other capital or ordinary expenses. An ownership interest in a Cooperative and accompanying occupancy rights are financed through a Cooperative share loan evidenced by a promissory note and secured by a security interest in the occupancy agreement or proprietary lease and in the related Cooperative shares. The lender takes possession of the share certificate and a counterpart of the proprietary lease or occupancy agreement and a financing statement covering the

proprietary lease or occupancy agreement and the Cooperative shares is filed in the appropriate state and local offices to perfect the lender's interest in its collateral. Subject to the limitations discussed below, upon default of the tenant-stockholder, the lender may sue for judgment on the promissory note, dispose of the collateral at a public or private sale or otherwise proceed against the collateral or tenant-stockholder as an individual as provided in the security agreement covering the assignment of the proprietary lease or occupancy agreement and the pledge of cooperative shares. See " — Realizing Upon Cooperative Loan Security" below.

There are certain risks that arise as a result of the cooperative form of ownership that differentiate Cooperative Loans from other types of Mortgage Loans. For example, the power of the board of directors of most cooperative housing corporations to reject a proposed purchaser of a unit owner's shares (and prevent the sale of an apartment) for any reason (other than reasons based upon unlawful discrimination), or for no reason, significantly reduces the universe of potential purchasers in the event of a foreclosure. Moreover, in buildings where the "sponsor" (*i.e.*, the owner of the unsold shares in the corporation) holds a significant number of unsold interests in apartments, cooperative apartment owners run a special risk that the sponsor may go into default on its proprietary leases or occupancy agreements, and thereby cause a default under the underlying mortgage loan to the cooperative housing corporation that is secured by a mortgage on the building. In this case, the unit owners may be forced to make up any shortfall in income to the cooperative housing corporation resulting from the sponsor's default or risk losing their apartments in a foreclosure proceeding brought by the holder of the mortgage on the building. Not only would the value attributable to the right to occupy a particular apartment be adversely affected by the occurrence, but the foreclosure of a mortgage on the building in which the apartment is located could result in a total loss of the shareholder's equity in the building and right to occupy the apartment (and a corresponding loss of the lender's security for its Cooperative Loan).

#### *Tax Aspects of Cooperative Ownership*

In general, a "tenant-stockholder" (as defined in Section 216(b)(2) of the Code) of a corporation that qualifies as a "cooperative housing corporation" within the meaning of Section 216(b)(1) of the Code is allowed a deduction for amounts paid or accrued within his taxable year to the corporation representing his proportionate share of certain interest expenses and certain real estate taxes allowable as a deduction under Section 216(a) of the Code to the corporation under Sections 163 and 164 of the Code. In order for a corporation to qualify under Section 216(b)(1) of the Code for its taxable year in which these items are allowable as a deduction to the corporation, that section requires, among other things, that at least 80% of the gross income of the corporation be derived from its tenant-stockholders. By virtue of this requirement, the status of a corporation for purposes of Section 216(b)(1) of the Code must be determined on a year-to-year basis. Consequently, there can be no assurance that cooperatives relating to the Cooperative Loans will qualify under the section for any particular year. In the event that a cooperative fails to qualify for one or more years, the value of the collateral securing any related Cooperative Loans could be significantly impaired because no deduction would be allowable to tenant-stockholders under Section 216(a) of the Code with respect to those years. In view of the significance of the tax benefits accorded tenant-stockholders of a corporation that qualifies under Section 216(b)(1) of the Code, the likelihood that the failure would be permitted to continue over a period of years appears remote.

#### **Foreclosure on Mortgages**

Foreclosure of a deed of trust is generally accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust that authorizes the trustee to sell the property upon any default by the borrower under the terms of the note or deed of trust. In some states, the trustee must record a notice of default and send a copy to the borrower-trustor and to any person who has recorded a request for a copy of a notice of default and notice of sale. In addition, the trustee in some states must provide notice to any other individual having an interest in the real property, including any junior lienholders. The trustor, borrower, or any person having a junior encumbrance on the real estate, may, during a reinstatement period, cure the default by paying the entire amount in arrears plus the costs and expenses incurred in enforcing the obligation. Generally, state law controls the amount of foreclosure expenses and costs, including attorney's fees, which may be recovered by a lender. If the deed of trust is not reinstated, a notice of sale must be posted in a



public place and, in most states, published for a specific period of time in one or more newspapers. In addition, some state laws require that a copy of the notice of sale be posted on the property, recorded and sent to all parties having an interest in the real property.

An action to foreclose a mortgage is an action to recover the mortgage debt by enforcing the mortgagee's rights under the mortgage. It is regulated by statutes and rules and subject throughout to the court's equitable powers. Generally, a mortgagor is bound by the terms of the mortgage note and the mortgage as made and cannot be relieved from his default if the mortgagee has exercised his rights in a commercially reasonable manner. However, since a foreclosure action historically was equitable in nature, the court may exercise equitable powers to relieve a mortgagor of a default and deny the mortgagee foreclosure on proof that either the mortgagor's default was neither willful nor in bad faith or the mortgagee's action established a waiver, fraud, bad faith, or oppressive or unconscionable conduct sufficient to warrant a court of equity to refuse affirmative relief to the mortgagee. Under certain circumstances a court of equity may relieve the mortgagor from an entirely technical default where the default was not willful.

A foreclosure action is subject to most of the delays and expenses of other lawsuits if defenses or counterclaims are interposed, sometimes requiring up to several years to complete. Moreover, a non-collusive, regularly conducted foreclosure sale may be challenged as a fraudulent conveyance, regardless of the parties' intent, if a court determines that the sale was for less than fair consideration and the sale occurred while the mortgagor was insolvent and within one year (or within the state statute of limitations if the trustee in bankruptcy elects to proceed under state fraudulent conveyance law) of the filing of bankruptcy. Similarly, a suit against the debtor on the mortgage note may take several years and, generally, is a remedy alternative to foreclosure, the mortgagee generally being precluded from pursuing both at the same time.

In case of foreclosure under either a mortgage or a deed of trust, the sale by the referee or other designated officer or by the trustee is a public sale. However, because of the difficulty potential third party purchasers at the sale have in determining the exact status of title and because the physical condition of the property may have deteriorated during the foreclosure proceedings, it is uncommon for a third party to purchase the property at a foreclosure sale. Rather, it is common for the lender to purchase the property from the trustee or referee for an amount that may be equal to the principal amount of the mortgage or deed of trust plus accrued and unpaid interest and the expenses of foreclosure, in which event the mortgagor's debt will be extinguished or the lender may purchase for a lesser amount in order to preserve its right against a borrower to seek a deficiency judgment in states where it is available. Thereafter, the lender will assume the burdens of ownership, including obtaining casualty insurance, paying taxes and making repairs at its own expense as are necessary to render the property suitable for sale. The lender will commonly obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property. Any loss may be reduced by the receipt of any mortgage guaranty insurance proceeds.

### **Realizing Upon Cooperative Loan Security**

The Cooperative shares and proprietary lease or occupancy agreement owned by the tenant-stockholder and pledged to the lender are, in almost all cases, subject to restrictions on transfer as set forth in the Cooperative's certificate of incorporation and by-laws, as well as in the proprietary lease or occupancy agreement. The proprietary lease or occupancy agreement, even while pledged, may be cancelled by the Cooperative for failure by the tenant-stockholder to pay rent or other obligations or charges owed by the tenant-stockholder, including mechanics' liens against the Cooperative apartment building incurred by the tenant-stockholder. Commonly, rent and other obligations and charges arising under a proprietary lease or occupancy agreement that are owed to the Cooperative are made liens upon the shares to which the proprietary lease or occupancy agreement relates. In addition, the proprietary lease or occupancy agreement generally permits the Cooperative to terminate the lease or agreement in the event the borrower defaults in the performance of covenants thereunder. Typically, the lender and the Cooperative enter into a recognition agreement that establishes the rights and obligations of both parties in the event of a default by the tenant-stockholder on its obligations under the proprietary lease or occupancy agreement. A default by the

tenant-stockholder under the proprietary lease or occupancy agreement will usually constitute a default under the security agreement between the lender and the tenant-stockholder.

The recognition agreement generally provides that, in the event that the tenant-stockholder has defaulted under the proprietary lease or occupancy agreement, the Cooperative will take no action to terminate the lease or agreement until the lender has been provided with an opportunity to cure the default. The recognition agreement typically provides that if the proprietary lease or occupancy agreement is terminated, the Cooperative will recognize the lender's lien against proceeds from a sale of the Cooperative apartment, subject, however, to the Cooperative's right to sums due under the proprietary lease or occupancy agreement or which have become liens on the shares relating to the proprietary lease or occupancy agreement. The total amount owed to the Cooperative by the tenant-stockholder, which the lender generally cannot restrict and does not monitor, could reduce the value of the collateral below the outstanding principal balance of the Cooperative Loan and accrued and unpaid interest thereon.

Recognition agreements also provide that in the event the lender succeeds to the tenant-shareholder's shares and proprietary lease or occupancy agreement as the result of realizing upon its collateral for a Cooperative Loan, the lender must obtain the approval or consent of the Cooperative as required by the proprietary lease before transferring the Cooperative shares or assigning the proprietary lease.

In some states, foreclosure on the cooperative shares is accomplished by a sale in accordance with the provisions of Article 9 of the Uniform Commercial Code (the "UCC") and the security agreement relating to those shares. Article 9 of the UCC requires that a sale be conducted in a "commercially reasonable" manner. Whether a foreclosure sale has been conducted in a "commercially reasonable" manner will depend on the facts in each case. In determining commercial reasonableness, a court will look to the notice given the debtor and the method, manner, time, place and terms of the sale. Generally, a sale conducted according to the usual practice of banks selling similar collateral will be considered reasonably conducted.

Article 9 of the UCC provides that the proceeds of the sale will be applied first to pay the costs and expenses of the sale and then to satisfy the indebtedness secured by the lender's security interest. The recognition agreement, however, generally provides that the lender's right to reimbursement is subject to the right of the Cooperative corporation to receive sums due under the proprietary lease or occupancy agreement. If there are proceeds remaining, the lender must account to the tenant-stockholder for the surplus. Conversely, if a portion of the indebtedness remains unpaid, the tenant-stockholder is generally responsible for the deficiency. See "Anti-Deficiency Legislation and Other Limitations on Lenders" below.

In the case of foreclosure on a mortgage secured by the cooperative building itself, where the building was converted from a rental building to a building owned by a cooperative, under a non-eviction plan, some states require that a purchaser at a foreclosure sale take the property subject to rent control and rent stabilization laws that apply to certain tenants who elect to remain in the building but who did not purchase shares in the cooperative when the building was so converted. In addition, all cooperative units that were previously rent controlled or rent stabilized may convert to their prior state of rent-controlled or rent-stabilized apartments.

### **Rights of Redemption**

In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the trustor or mortgagor and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. The right of redemption should be distinguished from the equity of redemption, which is a nonstatutory right that must be exercised prior to the foreclosure sale. In some states, redemption may occur only upon payment of the entire principal balance of the loan, accrued interest and expenses of foreclosure. In other states, redemption may be authorized if the former borrower pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property. The right of redemption would defeat the title of any purchaser from the lender subsequent to foreclosure or sale under a deed of trust. Consequently, the practical effect of a right of redemption is to force the lender to

retain the property and pay the expenses of ownership until the redemption period has run. In some states, there is no right to redeem property after a trustee's sale under a deed of trust.

### **Anti-Deficiency Legislation and Other Limitations on Lenders**

Certain states have imposed statutory prohibitions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or sale under a deed of trust. A deficiency judgment is a personal judgment against the former borrower equal in most cases to the difference between the net amount realized upon the public sale of the real property and the amount due to the lender. Other statutes require the beneficiary or mortgagee to exhaust the security afforded under a deed of trust or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. Finally, other statutory provisions limit any deficiency judgment against the former borrower following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or a mortgagee from obtaining a large deficiency judgment against the former borrower as a result of low or no bids at the judicial sale.

In addition to the statutory prohibitions on deficiency judgments, certain Mortgage Loans in the trust fund may, by their terms, prohibit recourse to the borrower in the event proceeds from foreclosure or other liquidation are insufficient to satisfy the debt. These Mortgage Loans may also not require payments of principal and interest until maturity, thereby increasing the likelihood that a deficiency will exist.

#### *Cooperative Loans*

Generally, lenders realize on cooperative shares and the accompanying proprietary lease given to secure a Cooperative Loan under Article 9 of the UCC. Some courts have interpreted section 9-504 of the UCC to prohibit a deficiency award unless the creditor establishes that the sale of the collateral (which, in the case of a Cooperative Loan, would be the shares of the Cooperative and the related proprietary lease or occupancy agreement) was conducted in a commercially reasonable manner.

#### *Leases and Rents*

Multifamily mortgage loan transactions often provide for an assignment of the leases and rents pursuant to which the borrower typically assigns its right, title and interest, as landlord under each lease and the income derived therefrom, to the lender while either obtaining a license to collect rents for so long as there is no default or providing for the direct payment to the lender. Local law, however, may require that the lender take possession of the property and appoint a receiver before becoming entitled to collect the rents under the lease.

#### *Federal Bankruptcy and Other Laws Affecting Creditors' Rights*

In addition to laws limiting or prohibiting deficiency judgments, numerous other statutory provisions, including the federal bankruptcy laws, the Federal Soldiers' and Sailors' Relief Act, and state laws affording relief to debtors, may interfere with or affect the ability of the secured lender to realize upon collateral and/or enforce a deficiency judgment. For example, with respect to federal bankruptcy law, the filing of a petition acts as a stay against the enforcement of remedies for collection of a debt. Moreover, a court with federal bankruptcy jurisdiction may permit a debtor through a Chapter 13 rehabilitative plan under the Bankruptcy Code to cure a monetary default with respect to a loan on a debtor's residence by paying arrearages within a reasonable time period and reinstating the original loan payment schedule even though the lender accelerated the loan and the lender has taken all steps to realize upon his security (provided no sale of the property has yet occurred) prior to the filing of the debtor's Chapter 13 petition. Some courts with federal bankruptcy jurisdiction have approved plans, based on the particular facts of the reorganization case, that effected the curing of a loan default by permitting the obligor to pay arrearages over a number of years.

Courts with federal bankruptcy jurisdiction have also indicated that the terms of a loan secured by property of the debtor may be modified if the borrower has filed a petition under Chapter 13. These courts have suggested that such modifications may include reducing the amount of each monthly payment, changing the rate of interest, altering the repayment schedule and reducing the lender's security interest to the value of the residence, thus leaving the lender a general unsecured creditor for the difference between the value of the residence and the outstanding balance of the loan. Federal bankruptcy law and limited case law indicate that the foregoing modifications could not be applied to the terms of a loan secured by property that is the principal residence of the debtor. In all cases, the secured creditor is entitled to the value of its security plus post-petition interest, attorney's fees and costs to the extent the value of the security exceeds the debt.

In a Chapter 11 case under the Bankruptcy Code, the lender is precluded from foreclosing without authorization from the bankruptcy court. The lender's lien may be transferred to other collateral and/or be limited in amount to the value of the lender's interest in the collateral as of the date of the bankruptcy. The loan term may be extended, the interest rate may be adjusted to market rates and the priority of the loan may be subordinated to bankruptcy court-approved financing. The bankruptcy court can, in effect, invalidate due-on-sale clauses through confirmed Chapter 11 plans of reorganization.

The Bankruptcy Code provides priority to certain tax liens over the lender's security. This may delay or interfere with the enforcement of rights in respect of a defaulted Loan. In addition, substantive requirements are imposed upon lenders in connection with the origination and the servicing of mortgage loans by numerous federal and some state consumer protection laws. The laws include the federal Truth-in-Lending Act, Real Estate Settlement Procedures Act, Equal Credit Opportunity Act, Fair Credit Billing Act, Fair Credit Reporting Act and related statutes and regulations. These federal laws impose specific statutory liabilities upon lenders who originate loans and who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the loans.

#### *Federal Bankruptcy Laws Relating to Mortgage Loans Secured by Multifamily Property*

Section 365(a) of the Bankruptcy Code generally provides that a trustee or a debtor-in-possession in a bankruptcy or reorganization case under the Bankruptcy Code has the power to assume or to reject an executory contract or an unexpired lease of the debtor, in each case subject to the approval of the bankruptcy court administering the case. If the trustee or debtor-in-possession rejects an executory contract or an unexpired lease, rejection generally constitutes a breach of the executory contract or unexpired lease immediately before the date of the filing of the petition. As a consequence, the other party or parties to the executory contract or unexpired lease, such as the mortgagor, as lessor under a lease, would have only an unsecured claim against the debtor for damages resulting from the breach, which could adversely affect the security for the related Mortgage Loan. Moreover, under Section 502(b)(6) of the Bankruptcy Code, the claim of a lessor for damages from the termination of a lease of real property will be limited to the sum of (1) the rent reserved by the lease, without acceleration, for the greater of one year or 15 percent, not to exceed three years, of the remaining term of the lease, following the earlier of the date of the filing of the petition and the date on which the lender repossessed, or the lessee surrendered, the leased property, and (2) any unpaid rent due under the lease, without acceleration, on the earlier of these dates.

Under Section 365(h) of the Bankruptcy Code, if a trustee for a lessor, or a lessor as a debtor-in-possession, rejects an unexpired lease of real property, the lessee may treat the lease as terminated by rejection or, in the alternative, may remain in possession of the leasehold for the balance of the term and for any renewal or extension of the term that is enforceable by the lessee under applicable nonbankruptcy law. The Bankruptcy Code provides that if a lessee elects to remain in possession after rejection of a lease, the lessee may offset against rents reserved under the lease for the balance of the term after the date of rejection of the lease, and any renewal or extension thereof, any damages occurring after that date caused by the nonperformance of any obligation of the lessor under the lease after that date.

Under Section 365(f) of the Bankruptcy Code, if a trustee assumes an executory contract or an unexpired lease of the debtor, the trustee or debtor-in-possession generally may assign the executory contract or unexpired lease, notwithstanding any provision therein or in applicable law that prohibits, restricts or

conditions the assignment, provided that the trustee or debtor-in-possession provides adequate assurance of future performance by the assignee. In addition, no party to an executory contract or an unexpired lease may terminate or modify any rights or obligations under an executory contract or an unexpired lease at any time after the commencement of a case under the Bankruptcy Code solely because of a provision in the executory contract or unexpired lease or in applicable law conditioned upon the assignment of the executory contract or unexpired lease. Thus, an undetermined third party may assume the obligations of the lessee or a mortgagor under a lease in the event of commencement of a proceeding under the Bankruptcy Code with respect to the lessee or a mortgagor, as applicable.

Under Sections 363(b) and (f) of the Bankruptcy Code, a trustee for a lessor, or a lessor as debtor-in-possession, may, despite the provisions of the related Mortgage Loan to the contrary, sell the Mortgaged Property free and clear of all liens, which liens would then attach to the proceeds of the sale.

### **Soldiers' and Sailors' Civil Relief Act of 1940**

Under the Soldiers' and Sailors' Civil Relief Act of 1940, members of all branches of the military on active duty, including draftees and reservists in military service:

- are entitled to have interest rates reduced and capped at 6% per annum, on obligations (including mortgage loans and Manufactured Home Loans) incurred prior to the commencement of military service for the duration of military service;
- may be entitled to a stay of proceedings on any kind of foreclosure or repossession action in the case of defaults on the obligations entered into prior to military service; and
- may have the maturity of the obligations incurred prior to military service extended, the payments lowered and the payment schedule readjusted for a period of time after the completion of military service.

However, the benefits listed above are subject to challenge by creditors and if, in the opinion of the court, the ability of a person to comply with the obligations is not materially impaired by military service, the court may apply equitable principles accordingly. If a borrower's obligation to repay amounts otherwise due on a Mortgage Loan or Manufactured Home Loan included in a Trust for a series is relieved pursuant to the Soldiers' and Sailors' Civil Relief Act of 1940, neither the servicer, the master servicer nor the trustee will be required to advance the amounts, and any loss in respect thereof may reduce the amounts available to be paid to the holders of the securities of the related series.

As specified in the prospectus supplement, any shortfalls in interest collections on Mortgage Loans included in a Trust for a series resulting from application of the Soldiers' and Sailors' Civil Relief Act of 1940 will be allocated to each class of securities of the related series that is entitled to receive interest in respect of the Mortgage Loans or Manufactured Home Loans in proportion to the interest that each class of Securities would have otherwise been entitled to receive in respect of such Mortgage Loans had such interest shortfall not occurred.

### **Environmental Risks**

Under the laws of some states, and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), it is conceivable that a secured lender (such as the trust fund) may be held liable as an "owner" or "operator" for the costs of addressing releases or threatened releases of hazardous substances at a Mortgage Property, even though the environmental damage or threat was caused by a prior or current owner or "responsible parties", including owners and operators. However, CERCLA excludes from the definition of "owner or operator" a secured creditor who holds indicia of ownership primarily to protect its security interest, but does not "participate in the management" of the Mortgaged Property (the "secured creditor exclusion"). Thus, if a lender's activities begin to encroach on the actual management of a contaminated property, the lender may incur liability as an "owner or operator" under CERCLA. Similarly, if a lender forecloses and takes title to a contaminated property, the lender may

incur CERCLA liability in various circumstances, including, but not limited to, when it holds the property as an investment (including leasing the property to a third party), or fails to market the property in a timely fashion.

Amendments to CERCLA enacted in 1996 have clarified the range of activities in which a lender may engage without becoming subject to liability under CERCLA. However, liability for costs associated with the investigation and cleanup of environmental contamination may also be governed by state law, which may not provide any specific protections to lenders, or, alternatively, may not impose liability on lenders at all.

CERCLA does not apply to petroleum products, and the secured creditor exclusion does not govern liability for cleanup costs associated with releases of petroleum contamination. Federal regulation of underground petroleum storage tanks (other than heating oil tanks) is governed by Subtitle I of the federal Resource Conservation and Recovery Act (“RCRA”). The United States Environmental Protection Agency (“EPA”) has promulgated a lender liability rule for underground storage tanks regulated by Subtitle I of RCRA. Under the EPA rule, a holder of a security interest in an underground storage tank, is not considered an operator of the underground storage tank as long as petroleum is not added to, stored in or dispensed from the tank. Moreover, amendments to RCRA, enacted concurrently with the CERCLA amendments discussed in the previous paragraph, extend to the holders of security interests in petroleum underground storage tanks the same protections accorded to secured creditors under CERCLA. It should be noted, however, that liability for cleanup of petroleum contamination may be governed by state law, which may not provide any specific protection for lenders, or, alternatively, may not impose liability on lenders at all.

### **Due-on-Sale Clauses in Mortgage Loans**

Due-on-sale clauses permit the lender to accelerate the maturity of the loan if the borrower sells or transfers, whether voluntarily or involuntarily, all or part of the real property securing the loan without the lender’s prior written consent. The enforceability of these clauses has been the subject of legislation or litigation in many states, and in some cases, typically involving single family residential mortgage transactions, their enforceability has been limited or denied. In any event, the Garn-St. Germain Depository Institutions Act of 1982 (the “Garn-St. Germain Act”) generally preempts state constitutional, statutory and case law that prohibits the enforcement of due-on-sale clauses and permits lenders to enforce these clauses in accordance with their terms. As a result, due-on-sale clauses have become enforceable except in those states whose legislatures exercised their authority to regulate the enforceability of due-on-sale clauses with respect to mortgage loans that were:

- originated or assumed during the “window period” under the Garn-St. Germain Act which ended in all cases not later than October 15, 1982, and
- originated by lenders other than national banks, federal savings institutions and federal credit unions.

Freddie Mac has taken the position in its published mortgage servicing standards that, out of a total of eleven “window period states”, five states — Arizona, Michigan, Minnesota, New Mexico and Utah — have enacted statutes extending, on various terms and for varying periods, the prohibition on enforcement of due-on-sale clauses with respect to certain categories of window period loans. Also, the Garn-St. Germain Act does “encourage” lenders to permit assumption of loans at the original rate of interest or at some other rate less than the average of the original rate and the market rate.

In addition, under federal bankruptcy law, due-on-sale clauses may not be enforceable in bankruptcy proceedings and may, under certain circumstances, be eliminated in any modified mortgage resulting from a bankruptcy proceeding.

### **Enforceability of Prepayment and Late Payment Fees**

Forms of notes, mortgages and deeds of trust used by lenders may contain provisions obligating the borrower to pay a late charge if payments are not timely made, and in some circumstances may provide for prepayment fees or penalties if the obligation is paid prior to maturity. In certain states, there are or may be

specific limitations upon the late charges which a lender may collect from a borrower for delinquent payments. Certain states also limit the amounts that a lender may collect from a borrower as an additional charge if the loan is prepaid. Late charges and prepayment fees are typically retained by servicers as additional servicing compensation.

### **Equitable Limitations on Remedies**

In connection with lenders' attempts to realize upon their security, courts have invoked general equitable principles. The equitable principles are generally designed to relieve the borrower from the legal effect of his defaults under the loan documents. Examples of judicial remedies that have been fashioned include judicial requirements that the lender undertake affirmative and expensive actions to determine the causes for the borrower's default and the likelihood that the borrower will be able to reinstate the loan. In some cases, courts have substituted their judgment for the lender's judgment and have required that lenders reinstate loans or recast payment schedules in order to accommodate borrowers who are suffering from temporary financial disability. In other cases, courts have limited the right of a lender to realize upon his security if the default under the security agreement is not monetary, such as the borrower's failure to adequately maintain the property or the borrower's execution of secondary financing affecting the property. Finally, some courts have been faced with the issue of whether or not federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under security agreements receive notices in addition to the statutorily-prescribed minimums. For the most part, these cases have upheld the notice provisions as being reasonable or have found that, in cases involving the sale by a trustee under a deed of trust or by a mortgagee under a mortgage having a power of sale, there is insufficient state action to afford constitutional protections to the borrower.

Most conventional single-family mortgage loans may be prepaid in full or in part without penalty. The regulations of the Federal Home Loan Bank Board prohibit the imposition of a prepayment penalty or equivalent fee for or in connection with the acceleration of a loan by exercise of a due-on-sale clause. A mortgagee to whom a prepayment in full has been tendered may be compelled to give either a release of the mortgage or an instrument assigning the existing mortgage. The absence of a restraint on prepayment, particularly with respect to Mortgage Loans having higher mortgage rates, may increase the likelihood of refinancing or other early retirements of the Mortgage Loans.

### **Applicability of Usury Laws**

Title V of the Depository Institutions Deregulation and Monetary Control Act of 1980, enacted in March 1980 ("Title V"), provides that state usury limitations shall not apply to certain types of residential first mortgage loans originated by certain lenders after March 31, 1980. Similar federal statutes were in effect with respect to mortgage loans made during the first three months of 1980. The Federal Home Loan Bank Board is authorized to issue rules and regulations and to publish interpretations governing implementation of Title V. Title V authorizes any state to reimpose interest rate limits by adopting, before April 1, 1983, a state law, or by certifying that the voters of that state have voted in favor of any provision, constitutional or otherwise, which expressly rejects an application of the federal law. Fifteen states adopted such a law prior to the April 1, 1983 deadline. In addition, even where Title V is not so rejected, any state is authorized by the law to adopt a provision limiting discount points or other charges on mortgage loans covered by Title V.

The depositor has been advised by counsel that a court interpreting Title V would hold that Mortgage Loans related to a series originated on or after January 1, 1980 are subject to federal preemption. Therefore, in a state that has not taken the requisite action to reject application of Title V or to adopt a provision limiting discount points or other charges prior to origination of the Mortgage Loans, any such limitation under the state's usury law would not apply to the Mortgage Loans.

In any state in which application of Title V has been expressly rejected or a provision limiting discount points or other charges is adopted, no Mortgage Loans originated after the date of the state action will be eligible as Primary Assets if the Mortgage Loans bear interest or provide for discount points or charges in

excess of permitted levels. No Mortgage Loan originated prior to January 1, 1980 will bear interest or provide for discount points or charges in excess of permitted levels.

### **Adjustable Interest Rate Loans**

ARMs originated by non-federally chartered lenders have historically been subject to a variety of restrictions. These restrictions differed from state to state, resulting in difficulties in determining whether a particular alternative mortgage instrument originated by a state-chartered lender complied with applicable law. These difficulties were alleviated substantially as a result of the enactment of Title VIII of the Garn-St Germain Act ("Title VIII"). Title VIII provides that, notwithstanding any state law to the contrary, state-chartered banks may originate "alternative mortgage instruments" (including ARMs) in accordance with regulations promulgated by the Comptroller of the Currency with respect to origination of alternative mortgage instruments by national banks; state-chartered credit unions may originate alternative mortgage instruments in accordance with regulations promulgated by the National Credit Union Administration with respect to origination of alternative mortgage instruments by federal credit unions and all other non-federally chartered housing creditors, including state-chartered savings and loan associations; and state-chartered savings banks and mortgage banking companies may originate alternative mortgage instruments in accordance with the regulations promulgated by the Federal Home Loan Bank Board with respect to origination of alternative mortgage instruments by federal savings and loan associations. Title VIII provides that any state may reject applicability of the provisions of Title VIII by adopting, prior to October 15, 1985, a law or constitutional provision expressly rejecting the applicability of these provisions. Certain states have taken this type of action.

The depositor has been advised by its counsel that it is their opinion that a court interpreting Title VIII would hold that ARMs that were originated by state-chartered lenders before the date of enactment of any state law or constitutional provision rejecting applicability of Title VIII would not be subject to state laws imposing restrictions or prohibitions on the ability of state-chartered lenders to originate alternative mortgage instruments.

### **Manufactured Home Loans**

#### *Security Interests in the Manufactured Homes*

Law governing perfection of a security interest in a Manufactured Home varies from state to state. Security interests in Manufactured Homes may be perfected either by notation of the secured party's lien on the certificate of title or by delivery of the required documents and payment of a fee to the state motor vehicle authority, depending on state law. In some nontitle states, perfection pursuant to the provisions of the UCC is required. The lender or a servicer may effect a notation or delivery of the required documents and fees, and obtain possession of the certificate of title, as appropriate under the laws of the state in which any manufactured home securing a Manufactured Home Loan is registered. In the event the notation or delivery is not effected or the security interest is not filed in accordance with the applicable law (for example, is filed under a motor vehicle title statute rather than under the UCC, in a few states), a first priority security interest in the Manufactured Home securing a Manufactured Home Loan may not be obtained.

As Manufactured Homes have become larger and often have been attached to their sites without any apparent intention to move them, courts in many states have held that Manufactured Homes, under certain circumstances, may become subject to real estate title and recording laws. As a result, a security interest in a Manufactured Home could be rendered subordinate to the interests of other parties claiming an interest in the Manufactured Home under applicable state real estate law. In order to perfect a security interest in a Manufactured Home under real estate laws, the holder of the security interest must file either a "fixture filing" under the provisions of the UCC or a real estate mortgage under the real estate laws of the state where the home is located. These filings must be made in the real estate records office of the county where the home is located.

Manufactured Home Loans typically contain provisions prohibiting the borrower from permanently attaching the Manufactured Home to its site. So long as the borrower does not violate this agreement, a



security interest in the Manufactured Home will be governed by the certificate of title laws or the UCC, and the notation of the security interest on the certificate of title or the filing of a UCC financing statement will be effective to maintain the priority of the security interest in the Manufactured Home. If, however, a Manufactured Home is permanently attached to its site, other parties could obtain an interest in the Manufactured Home that is prior to the security interest originally retained by the lender or its assignee. With respect to a series of Securities evidencing interests in a trust fund that includes Manufactured Home Loans and as described in the prospectus supplement, the depositor may be required to perfect a security interest in the Manufactured Home under applicable real estate laws. If the real estate filings are not made and if any of the foregoing events were to occur, the only recourse of the securityholders would be against the depositor pursuant to its repurchase obligation for breach of warranties. A PMBS Agreement pursuant to which Private Mortgage-Backed Securities backed by Manufactured Home Loans are issued will, unless otherwise specified in the prospectus supplement, have substantially similar requirements for perfection of a security interest.

In general, upon an assignment of a Manufactured Home Loan, the certificate of title relating to the Manufactured Home will not be amended to identify the assignee as the new secured party. In most states, an assignment is an effective conveyance of the security interest without amendment of any lien noted on the related certificate of title and the new secured party succeeds to the assignor's rights as the secured party. However, in some states there exists a risk that, in the absence of an amendment to the certificate of title, the assignment of the security interest might not be held effective against creditors of the assignor.

#### *Relocation of a Manufactured Home*

In the event that the owner of a Manufactured Home moves the home to a state other than the state in which the Manufactured Home initially is registered, under the laws of most states the perfected security interest in the Manufactured Home would continue for four months after relocation and thereafter only if and after the owner reregisters the Manufactured Home in the state. If the owner were to relocate a Manufactured Home to another state and not reregister the Manufactured Home in the state, and if steps are not taken to reperfect the trustee's security interest in the state, the security interest in the Manufactured Home would cease to be perfected.

A majority of states generally require surrender of a certificate of title to reregister a Manufactured Home; accordingly, possession of the certificate of title to the Manufactured Home must be surrendered or, in the case of Manufactured Homes registered in states that provide for notation of lien, the notice of surrender must be given to any person whose security interest in the Manufactured Home is noted on the certificate of title. Accordingly, the owner of the Manufactured Home Loan would have the opportunity to reperfect its security interest in the Manufactured Home in the state of relocation. In states that do not require a certificate of title for registration of a Manufactured Home, reregistration could defeat perfection.

In the ordinary course of servicing the Manufactured Home Loans, the master servicer will be required to take steps to effect reperfecton upon receipt of notice of reregistration or information from the borrower as to relocation. Similarly, when a borrower under a Manufactured Home Loan sells the related Manufactured Home, the trustee must surrender possession of the certificate of title or the trustee will receive notice as a result of its lien noted thereon and accordingly will have an opportunity to require satisfaction of the related Manufactured Home Loan before release of the lien. Under the Agreements, the depositor is obligated to take these steps, at the servicer's expense, as are necessary to maintain perfection of security interests in the Manufactured Homes. PMBS Agreements pursuant to which Private Mortgage-Backed Securities backed by Manufactured Home Loans are issued will impose substantially similar requirements.

#### *Intervening Liens*

Under the laws of most states, liens for repairs performed on a Manufactured Home take priority even over a perfected security interest. The depositor will represent that it has no knowledge of any such liens with respect to any Manufactured Home securing payment on any Manufactured Home Loan. However, the liens could arise at any time during the term of a Manufactured Home Loan. No notice will be given to the trustee

or securityholders in the event a lien arises. PMBS Agreements pursuant to which Private Mortgage-Backed Securities backed by Manufactured Home Loans are issued will contain substantially similar requirements.

#### *Enforcement of Security Interests in Manufactured Homes*

So long as the Manufactured Home has not become subject to the real estate law, a creditor can repossess a Manufactured Home securing a Manufactured Home Loan by voluntary surrender, by “self-help” repossession that is “peaceful” (*i.e.*, without breach of the peace) or in the absence of voluntary surrender and the ability to repossess without breach of the peace, by judicial process. The holder of a Manufactured Home Loan must give the debtor a number of days’ notice, which varies from 10 to 30 days depending on the state, prior to commencement of any repossession. The UCC and consumer protection laws in most states place restrictions on repossession sales, including requiring prior notice to the debtor and commercial reasonableness in effecting the sale. The law in most states also requires that the debtor be given notice of any sale prior to resale of the unit so that the debtor may redeem at or before the resale. In the event of repossession and resale of a Manufactured Home, the holder of a Manufactured Home Loan would be entitled to be paid out of the sale proceeds before the proceeds could be applied to the payment of the claims of unsecured creditors or the holders of subsequently perfected security interests or, thereafter, to the borrower.

Under the laws applicable in most states, a creditor is entitled to obtain a deficiency judgment from a borrower for any deficiency on repossession and resale of the Manufactured Home securing the borrower’s loan. However, some states impose prohibitions or limitations on deficiency judgments. See “Antideficiency Legislation and Other Limitations on Lenders” above.

Certain other statutory provisions, including federal and state bankruptcy and insolvency laws and general equitable principles, may limit or delay the ability of a lender to repossess and resell collateral or enforce a deficiency judgment. See “Federal Bankruptcy and Other Laws Affecting Creditors’ Rights” and “Equitable Limitations on Remedies” above.

#### *Consumer Protection Laws*

The so-called “Holder-In-Due-Course” rule of the Federal Trade Commission is intended to defeat the ability of the transferor of a consumer credit contract who is the seller of goods that gave rise to the transaction (and certain related lenders and assignees) to transfer the contract free of notice of claims by the borrower thereunder. The effect of this rule is to subject the assignee of the contract to all claims and defenses that the borrower could assert against the seller of goods. Liability under this rule is limited to amounts paid under a Manufactured Home Loan; however, the borrower also may be able to assert the rule to set off remaining amounts due as a defense against a claim brought against the borrower. Numerous other federal and state consumer protection laws impose requirements applicable to the origination and lending pursuant to the Manufactured Home Loan, including the Truth-in-Lending Act, the Federal Trade Commission Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act and the Uniform Consumer Credit Code. In the case of some of these laws, the failure to comply with their provisions may affect the enforceability of the related Manufactured Home Loan.

#### *Transfers of Manufactured Homes; Enforceability of “Due-on-Sale” Clauses*

Loans and installment sale contracts relating to a Manufactured Home Loan typically prohibit the sale or transfer of the related Manufactured Homes without the consent of the lender and permit the acceleration of the maturity of the Manufactured Home Loans by the lender upon any the sale or transfer for which no the consent is granted.

In the case of a transfer of a Manufactured Home, the lender’s ability to accelerate the maturity of the related Manufactured Home Loan will depend on the enforceability under state law of the “due-on-sale” clause. The Garn-St. Germain Depository Institutions Act of 1982 preempts, subject to certain exceptions and conditions, state laws prohibiting enforcement of “due-on-sale” clauses applicable to the Manufactured Homes. See “Due On Sale Clauses in Mortgage Loans” above. With respect to any Manufactured Home

Loan secured by a Manufactured Home occupied by the borrower, the ability to accelerate will not apply to those types of transfers discussed in “Due On Sale Clauses in Mortgage Loans” above. FHA Loans and VA Loans are not permitted to contain “due-on-sale” clauses, and so are freely assumable.

*Applicability of Usury Laws*

Title V provides that, subject to the following conditions, state usury limitations will not apply to any loan that is secured by a first lien on certain kinds of Manufactured Homes. The Manufactured Home Loans would be covered if they satisfy certain conditions, among other things, governing the terms of any prepayments, late charges and deferral fees and requiring a 30-day notice period prior to instituting any action leading to repossession of or foreclosure with respect to the related unit. See “Applicability of Usury Laws” above.

## Material Federal Income Tax Considerations

### General

The following is a general discussion of certain anticipated material federal income tax consequences of the purchase, ownership and disposition of the Offered Securities. This discussion has been prepared with the advice of McKee Nelson LLP and Morgan, Lewis & Bockius LLP. This opinion assumes compliance with all provisions of the Agreements pursuant to which the Securities are issued. This discussion is directed solely to securityholders that hold the Securities as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”), and does not purport to discuss all federal income tax consequences that may be applicable to particular categories of investors, some of which (such as banks, insurance companies and foreign investors) may be subject to special rules. Further, this discussion is based on authorities that are subject to changes that could apply retroactively.

In addition to the federal income tax consequences described herein, potential investors should consider the state and local tax consequences, if any, of the purchase, ownership and disposition of the Securities. See “State Tax Considerations.” The depositor recommends that securityholders consult their own tax advisors concerning the federal, state, local or other tax consequences to them of the purchase, ownership and disposition of the Offered Securities.

The following discussion addresses Securities of five general types:

- REMIC Securities representing interests in a trust fund, or a portion thereof, that the trustee will elect to have treated as a real estate mortgage investment conduit (“REMIC”) under Sections 860A through 860G (the “REMIC Provisions”) of the Code;
- FASIT Securities representing interests in a trust fund, or a portion thereof, that the trustee will elect to have treated as a financial asset securitization investment trust (“FASIT”) under Sections 860H through 860L (the “FASIT Provisions”) of the Code;
- Grantor Trust Securities representing interests in a trust fund (a “Grantor Trust Fund”) as to which no REMIC or FASIT election will be made and which will be treated as a trust for federal income tax purposes;
- Partnership Securities representing interests in a trust fund (a “Partnership Trust Fund”) that is treated as a partnership for federal income tax purposes; and
- Debt Securities representing indebtedness of a Partnership Trust Fund or the beneficial owner of a Grantor Trust Fund for federal income tax purposes.

The prospectus supplement for each series of Securities will indicate which of the foregoing treatments will apply to that series and, if a REMIC election (or elections) will be made for the related trust fund, will identify all “regular interests” and “residual interests” in the REMIC or, if a FASIT election will be made for the related trust fund, will identify all “regular interests” and the “ownership interest” in the FASIT. For purposes of this tax discussion, (1) references to a “securityholder” or a “holder” are to the beneficial owner of a Security, and (2) references to “REMIC Pool” are to an entity or portion thereof as to which a REMIC election will be made.

The following discussion is based in part upon the rules governing original issue discount that are set forth in Sections 1271 through 1273 and 1275 of the Code and in the Treasury regulations issued thereunder (the “OID Regulations”), in part upon the REMIC Provisions and the Treasury regulations issued thereunder (the “REMIC Regulations”), and in part upon the FASIT Provisions. The FASIT Provisions of the Code became effective on September 1, 1997. The Treasury Department, on February 7, 2000, released proposed regulations interpreting the FASIT Provisions and the proposed regulations, subject to certain exceptions, would only become effective at the time they are issued in final form. Accordingly, definitive guidance cannot be provided with respect to many aspects of the tax treatment of the holders of FASIT Securities. In

addition, the OID Regulations do not adequately address certain issues relevant to, and in some instances provide that they are not applicable to, securities such as the Securities.

### **Taxable Mortgage Pools**

Corporate income tax can be imposed on the net income of certain entities issuing non-REMIC debt obligations secured by real estate mortgages (“Taxable Mortgage Pools”). Any entity other than a REMIC or a FASIT (as defined herein) will be considered a Taxable Mortgage Pool if (1) substantially all of the assets of the entity consist of debt obligations and more than 50% of those debt obligations consist of “real estate mortgages,” (2) that entity is the borrower under debt obligations with two or more maturities, and (3) under the terms of the debt obligations on which the entity is the borrower, payments on those obligations bear a relationship to payments on the obligations held by the entity. Furthermore, a group of assets held by an entity can be treated as a separate Taxable Mortgage Pool if the assets are expected to produce significant cash flow that will support one or more of the entity’s issues of debt obligations. Unless otherwise provided in the applicable prospectus supplement, the depositor will structure offerings of non-REMIC Securities to avoid the application of the Taxable Mortgage Pool rules.

### **REMICs**

#### *Classification of REMICs*

For each series of REMIC Securities, assuming compliance with all provisions of the related trust agreement, McKee Nelson LLP or Morgan, Lewis & Bockius LLP (“Company Counsel”) will deliver its opinion, generally to the effect that the related trust fund (or each applicable portion thereof) will qualify as a REMIC and the REMIC Securities offered with respect thereto will be considered to evidence ownership of “regular interests” (“Regular Securities”) or “residual interests” (“Residual Securities”) in the REMIC within the meaning of the REMIC Provisions. In addition, to the extent provided in the applicable prospectus supplement, Regular Securities may also evidence ownership of an interest in a notional principal contract. See “*Characterization of Investments in REMIC Securities*” below.

For the REMIC Pool to qualify as a REMIC, the REMIC Pool must continuously comply with the REMIC Provisions. The REMIC Pool must fulfill an asset test, which requires that no more than a *de minimis* portion of the assets of the REMIC Pool, as of the close of the third calendar month beginning after the “Startup Day” (which for purposes of this discussion is the date of issuance of the REMIC Securities) and at all times thereafter, may consist of assets other than “qualified mortgages” and “permitted investments.” The REMIC Regulations provide a safe harbor pursuant to which the *de minimis* requirement will be met if at all times the total adjusted basis of the nonqualified assets is less than 1% of the total adjusted basis of all the REMIC Pool’s assets. An entity that fails to meet the safe harbor may nevertheless demonstrate that it holds no more than a *de minimis* amount of nonqualified assets. A REMIC Pool also must provide “reasonable arrangements” to prevent its residual interests from being held by “disqualified organizations” or agents thereof and must furnish applicable tax information to transferors or agents that violate this requirement. The trust agreement for each series of REMIC Securities will contain provisions meeting these requirements. See “— Taxation of Owners of Residual Securities — Tax-Related Restrictions on Transfer of Residual Securities — Disqualified Organizations” below.

A qualified mortgage is any obligation that is principally secured by an interest in real property and that is either transferred to the REMIC Pool on the Startup Day or is purchased by the REMIC Pool within a three-month period thereafter pursuant to a fixed price contract in effect on the Startup Day. Qualified mortgages include whole mortgage loans and, generally, certificates of beneficial interest in a grantor trust that holds mortgage loans, and regular interests in another REMIC, such as lower-tier regular interests in a tiered REMIC. The REMIC Regulations specify that loans secured by timeshare interests, shares held by a tenant stockholder in a cooperative housing corporation, and manufactured housing that qualifies as a “single family residence” under Code Section 25(e)(10) can be qualified mortgages. A qualified mortgage includes a qualified replacement mortgage, which is any property that would have been treated as a qualified mortgage if it were transferred to the REMIC Pool on the Startup Day and that is received either:

- in exchange for any qualified mortgage within a three-month period thereafter; or
- in exchange for a “defective obligation” within a two-year period thereafter.

A “defective obligation” includes:

- (1) a mortgage in default or as to which default is reasonably foreseeable;
- (2) a mortgage as to which a customary representation or warranty made at the time of transfer to the REMIC Pool has been breached;
- (3) a mortgage that was fraudulently procured by the borrower; and
- (4) a mortgage that was not in fact principally secured by real property.

A mortgage loan that is “defective” as described in clause (4) above that is not sold or, if within two years of the Startup Day, exchanged, within 90 days of discovery, ceases to be a qualified mortgage after that 90-day period.

Permitted investments include cash flow investments, qualified reserve assets, and foreclosure property. A cash flow investment is an investment, earning a return in the nature of interest, of amounts received on or with respect to qualified mortgages for a temporary period, not exceeding 13 months, until the next scheduled distribution to holders of interests in the REMIC Pool. A qualified reserve asset is any intangible property held for investment that is part of any reasonably required reserve maintained by the REMIC Pool to provide for payments of expenses of the REMIC Pool or amounts due on the regular or residual interests in the event of defaults (including delinquencies) on the qualified mortgages, lower than expected reinvestment returns, prepayment interest shortfalls and certain other contingencies. The reserve fund will be disqualified if more than 30% of the gross income from the assets in that fund for the year is derived from the sale or other disposition of property held for less than three months, unless required to prevent a default on the regular interests caused by a default on one or more qualified mortgages. A reserve fund must be reduced “promptly and appropriately” as payments on the mortgage loans are received. Foreclosure property is real property (and any personal property incidental to the real property) acquired by the REMIC Pool in connection with the default or imminent default of a qualified mortgage and generally may not be held for more than three taxable years after the taxable year of acquisition unless extensions are granted by the Secretary of the Treasury.

In addition to the foregoing requirements, the various interests in a REMIC Pool also must meet certain requirements. All of the interests in a REMIC Pool must be either of the following: (1) one or more classes of regular interests or (2) a single class of residual interests on which distributions, if any, are made *pro rata*.

- A regular interest is an interest in a REMIC Pool that is issued on the Startup Day with fixed terms, is designated as a regular interest, and unconditionally entitles the holder to receive a specified principal amount (or other similar amount), and provides that interest payments (or other similar amounts), if any, at or before maturity either are payable based on a fixed rate or a qualified variable rate, or consist of a specified, nonvarying portion of the interest payments on qualified mortgages. That specified portion may consist of a fixed number of basis points, a fixed percentage of the total interest, or a qualified variable rate, inverse variable rate or difference between two fixed or qualified variable rates on some or all of the qualified mortgages. The specified principal amount of a regular interest that provides for interest payments consisting of a specified, nonvarying portion of interest payments on qualified mortgages, may be zero.
- A residual interest is an interest in a REMIC Pool (other than a regular interest) that is issued on the Startup Day and that is designated as a residual interest.

An interest in a REMIC Pool may be treated as a regular interest even if payments of principal for that interest are subordinated to payments on other regular interests or the residual interest in the REMIC Pool, and are dependent on the absence of defaults or delinquencies on qualified mortgages or permitted

investments, or are affected by lower than reasonably expected returns on permitted investments, unanticipated expenses incurred by the REMIC Pool or prepayment interest shortfalls.

If an entity electing to be treated as a REMIC fails to comply with one or more of the ongoing requirements of the REMIC Provisions during any taxable year, the REMIC Provisions provide that the entity will not be treated as a REMIC for that year and thereafter. In that event, that entity may be taxable as a corporation under Treasury regulations, and the related REMIC Securities may not be accorded the status or given the tax treatment described below. Although the REMIC Provisions authorize the Treasury Department to issue regulations providing relief in the event of an inadvertent termination of REMIC status, the Treasury Department has not issued any such regulations. Any relief provided, moreover, may be accompanied by sanctions, such as the imposition of a corporate tax on all or a portion of the trust fund's income for the period in which the requirements for that status are not satisfied. The trust agreement for each REMIC Pool will include provisions designed to maintain the trust fund's status as a REMIC under the REMIC Provisions. The depositor does not anticipate that the status of any REMIC Pool as a REMIC will be terminated.

#### *Characterization of Investments in REMIC Securities*

To the extent provided in the applicable prospectus supplement, a Regular Security could represent not only the ownership of a REMIC regular interest, but also an interest in a notional principal contract. This can occur, for instance, when the applicable trust agreement provides that the rate of interest payable by the REMIC on the regular interest is subject to a cap based on the weighted average of the net interest rates payable on the qualified mortgages held by the REMIC. In these instances, the trust agreement may provide for a reserve fund that will be held as part of the trust fund but not as an asset of any REMIC created pursuant to the trust agreement (an "outside reserve fund"). The outside reserve fund would typically be funded from monthly excess cashflow. If the interest payments on a regular interest were limited due to the above-described cap, payments of any interest shortfall due to application of that cap would be made to the regular interest holder to the extent of funds on deposit in the outside reserve fund. For federal income tax purposes, payments from the outside reserve fund will be treated as payments under a notional principal contract written by the owner of the outsider reserve fund in favor of the regular interest holders.

In the opinion of Company Counsel, the REMIC Securities (other than, in the case of Regular Securities that also represent interests in a notional principal contract, the portion of such Regular Securities that represents such interest) will be treated as "real estate assets" within the meaning of Section 856(c)(5)(B) of the Code and assets described in Section 7701(a)(19)(C) of the Code in the same proportion that the assets of the REMIC Pool underlying these Securities would be so treated. Moreover, if 95% or more of the assets of the REMIC Pool qualify for either of the foregoing treatments at all times during a calendar year, the REMIC Securities (other than, in the case of Regular Securities that also represent interests in a notional principal contract, the portion of such Regular Securities that represent such an interest) will qualify for the corresponding status in their entirety for that calendar year.

Income (including original issue discount) on the Regular Securities (other than, in the case of Regular Securities that also represent interests in a notional principal contract, the portion of such Regular Securities that represent such an interest) and income allocated to the class of Residual Securities will be treated as interest described in Section 856(c)(3)(B) of the Code in the same proportion that the income on the REMIC Pool underlying these Securities would be so treated. Moreover, if 95% or more of the assets of the REMIC Pool qualify as "real estate assets" within the meaning of Section 856(c)(5)(B) of the Code at all time during a calendar year, all income on the REMIC Securities (other than, in the case of Regular Securities that also represent interests in a notional principal contract, income associated with the portion of such Regular Securities that represents such an interest) will qualify as interest described in Section 856(c)(3)(B) of the Code for the calendar year. In addition, in the opinion of Company Counsel, the Regular Securities (other than, in the case of Regular Securities that also represent interests in a notional principal contract, the portion of such Regular Securities that represent such an interest) generally will be "qualified mortgages" within the meaning of Section 860G(a)(3) of the Code if transferred to another REMIC on its Startup Day in exchange for regular or residual interests therein.

The determination as to the percentage of the REMIC Pool's assets that constitute assets described in the foregoing sections of the Code will be made for each calendar quarter based on the average adjusted basis of each category of the assets held by the REMIC Pool during that calendar quarter. The REMIC will report those determinations to securityholders in the manner and at the times required by applicable Treasury regulations. The Small Business Job Protection Act of 1996 (the "SBJPA of 1996") repealed the reserve method for bad debts of domestic building and loan associations and mutual savings banks, and thus has eliminated the asset category of "qualifying real property loans" in former Code Section 593(d) for taxable years beginning after December 31, 1995. The requirements in the SBJPA of 1996 that these institutions must "recapture" a portion of their existing bad debt reserves is suspended if a certain portion of their assets are maintained in "residential loans" under Code Section 7701(a)(19)(C)(v), but only if those loans were made to acquire, construct or improve the related real property and not for the purpose of refinancing. However, no effort will be made to identify the portion of the mortgage loans of any series meeting this requirement, and no representation is made in this regard.

The assets of the REMIC Pool will include, in addition to mortgage loans, payments on mortgage loans held pending distribution on the REMIC Securities and property acquired by foreclosure held pending sale, and may include amounts in reserve accounts. It is unclear whether property acquired by foreclosure held pending sale and amounts in reserve accounts would be considered to be part of the mortgage loans, or whether those assets (to the extent not invested in assets described in the foregoing sections) otherwise would receive the same treatment as the mortgage loans for purposes of all of the foregoing sections. Under the REIT (real estate investment trust) Regulations, however, mortgage loan payments held by a REMIC pending distribution are real estate assets for purposes of Section 856(c)(5)(B) of the Code. Furthermore, foreclosure property generally will qualify as "real estate assets" under Section 856(c)(4)(A) of the Code.

#### *Tiered REMIC Structures*

For some series of REMIC Securities, two or more separate elections may be made to treat designated portions of the related trust fund as REMICs ("Tiered REMICs") for federal income tax purposes. Upon the issuance of any of these series of REMIC Securities, the applicable Company Counsel will deliver its opinion that, assuming compliance with all provisions of the related trust agreement, the Tiered REMICs will each qualify as a REMIC and the respective REMIC Securities issued by each Tiered REMIC will be considered to evidence ownership of Regular Securities or Residual Securities in the related REMIC within the meaning of the REMIC Provisions.

Solely for purposes of determining whether the REMIC Securities will be "real estate assets" within the meaning of Section 856(c)(5)(B) of the Code and "loans secured by an interest in real property" under Section 7701(a)(19)(C) of the Code, and whether the income on those Securities is interest described in Section 856(c)(3)(B) of the Code, the Tiered REMICs will be treated as one REMIC.

#### *Taxation of Owners of REMIC Regular Interests*

##### **(1) General**

In general, interest, original issue discount, and market discount on a regular interest will be treated as ordinary income to a holder of the regular interest, and principal payments on a regular interest will be treated as a return of capital to the extent of the regular interest holder's basis in the regular interest allocable thereto. A regular interest holder must use the accrual method of accounting with regard to its regular interest, regardless of the method of accounting otherwise used by that regular interest holder.

##### **(2) Original Issue Discount**

Accrual Securities will be, and other classes of regular interests may be, issued with "original issue discount" within the meaning of Code Section 1273(a). Holders of any class of regular interests having original issue discount generally must include original issue discount in ordinary income for federal income tax purposes as it accrues, in accordance with a constant yield method that takes into account the compounding of interest, in advance of the receipt of the cash attributable to that income. The following



discussion is based in part on the OID Regulations and in part on the provisions of the Tax Reform Act of 1986 (the “1986 Act”). Regular interest holders should be aware, however, that the OID Regulations do not adequately address certain issues relevant to prepayable securities, such as the regular interests. To the extent that those issues are not addressed in the regulations, the depositor intends to apply the methodology described in the Conference Committee Report to the 1986 Act. No assurance can be provided that the Internal Revenue Service will not take a different position as to those matters not currently addressed by the OID Regulations. Moreover, the OID Regulations include an anti-abuse rule allowing the Internal Revenue Service to apply or depart from the OID Regulations where necessary or appropriate to ensure a reasonable tax result because of the applicable statutory provisions. A tax result will not be considered unreasonable under the anti-abuse rule in the absence of a substantial effect on the present value of a taxpayer’s tax liability. Investors are advised to consult their own tax advisors as to the discussion therein and the appropriate method for reporting interest and original issue discount for the regular interests.

Each regular interest (except to the extent described below for a regular interest on which principal is distributed in a single installment or by lots of specified principal amounts upon the request of a securityholder or by random lot (a “non-pro rata security”)) will be treated as a single installment obligation for purposes of determining the original issue discount includible in a regular interest holder’s income. The total amount of original issue discount on a regular interest is the excess of the “stated redemption price at maturity” of the regular interest over its “issue price.” The issue price of a class of regular interests offered pursuant to this prospectus generally is the first price at which a substantial amount of that class is sold to the public (excluding bond houses, brokers and underwriters). Although unclear under the OID Regulations, it is anticipated that the trustee will treat the issue price of a class as to which there is no substantial sale as of the issue date, or that is retained by the depositor, as the fair market value of the class as of the issue date. The issue price of a regular interest also includes any amount paid by an initial regular interest holder for accrued interest that relates to a period before the issue date of the regular interest, unless the regular interest holder elects on its federal income tax return to exclude that amount from the issue price and to recover it on the first distribution date.

The stated redemption price at maturity of a regular interest always includes the original principal amount of the regular interest, but generally will not include distributions of interest if those distributions constitute “qualified stated interest.” Under the OID Regulations, qualified stated interest generally means interest payable at a single fixed rate or a qualified variable rate (as described below), provided that the interest payments are unconditionally payable at intervals of one year or less during the entire term of the regular interest. Because there is no penalty or default remedy in the case of nonpayment of interest for a regular interest, it is possible that no interest on any class of regular interests will be treated as qualified stated interest. However, except as provided in the following three sentences or in the prospectus supplement, because the underlying mortgage loans provide for remedies in the event of default, it is anticipated that the trustee will treat interest for the regular interests as qualified stated interest. Distributions of interest on an accrual security, or on other regular interests for which deferred interest will accrue, will not constitute qualified stated interest, in which case the stated redemption price at maturity of those regular interests includes all distributions of interest as well as principal thereon. Likewise, it is anticipated that the trustee will treat an interest-only class or a class on which interest is substantially disproportionate to its principal amount (a so-called “super-premium” class) as having no qualified stated interest. Where the interval between the issue date and the first distribution date on a regular interest is shorter than the interval between subsequent distribution dates, the interest attributable to the additional days will be included in the stated redemption price at maturity.

Under a *de minimis* rule, original issue discount on a regular interest will be considered to be zero if the original issue discount is less than 0.25% of the stated redemption price at maturity of the regular interest multiplied by the weighted average maturity of the regular interest. For this purpose, the weighted average maturity of the regular interest is computed as the sum of the amounts determined by multiplying the number of full years (*i.e.*, rounding down partial years) from the issue date until each distribution in reduction of stated redemption price at maturity is scheduled to be made by a fraction, the numerator of which is the amount of each distribution included in the stated redemption price at maturity of the regular interest and the

denominator of which is the stated redemption price at maturity of the regular interest. The Conference Committee Report to the 1986 Act provides that the schedule of those distributions should be determined in accordance with the assumed rate of prepayment of the mortgage loans (the “prepayment assumption”) and the anticipated reinvestment rate, if any, relating to the regular interests. The prepayment assumption for a series of regular interests will be set forth in the prospectus supplement. Holders generally must report *de minimis* original issue discount *pro rata* as principal payments are received, and that income will be capital gain if the regular interest is held as a capital asset. Under the OID Regulations, however, regular interest holders may elect to accrue all *de minimis* original issue discount as well as market discount and market premium, under the constant yield method. See “— Election to Treat All Interest Under the Constant Yield Method” below.

A regular interest holder generally must include in gross income for any taxable year the sum of the “daily portions,” as defined below, of the original issue discount on the regular interest accrued during an accrual period for each day on which it holds the regular interest, including the date of purchase but excluding the date of disposition. The trustee will treat the monthly period ending on the day before each Distribution Date as the accrual period. For each regular interest, a calculation will be made of the original issue discount that accrues during each successive full accrual period (or shorter period from the date of original issue) that ends on the day before the related Distribution Date on the regular interest. The Conference Committee Report to the 1986 Act states that the rate of accrual of original issue discount is intended to be based on the prepayment assumption. The original issue discount accruing in a full accrual period would be the excess, if any, of:

- (1) the sum of:
  - (a) the present value of all of the remaining distributions to be made on the regular interest as of the end of that accrual period and
  - (b) the distributions made on the regular interest during the accrual period that are included in the regular interest’s stated redemption price at maturity, over
- (2) the adjusted issue price of the regular interest at the beginning of the accrual period.

The present value of the remaining distributions referred to in the preceding sentence is calculated based on:

- (1) the yield to maturity of the regular interest at the issue date;
- (2) events (including actual prepayments) that have occurred before the end of the accrual period; and
- (3) the prepayment assumption.

For these purposes, the adjusted issue price of a regular interest at the beginning of any accrual period equals the issue price of the regular interest, increased by the total amount of original issue discount for the regular interest that accrued in all prior accrual periods and reduced by the amount of distributions included in the regular interest’s stated redemption price at maturity that were made on the regular interest in those prior periods. The original issue discount accruing during any accrual period (as determined in this paragraph) will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day in the period. For an initial accrual period shorter than a full accrual period, the daily portions of original issue discount must be determined according to an appropriate allocation under any reasonable method.

Under the method described above, the daily portions of original issue discount required to be included in income by a regular interest holder generally will increase if the prepayments on the underlying mortgage loans exceed the prepayment assumption, and generally will decrease (but not below zero for any period) if the prepayments on the underlying mortgage loans are slower than the prepayment assumption. An increase

in prepayments on the mortgage loans for a series of Regular Securities can result in both a change in the priority of principal payments for certain classes of Regular Securities and either an increase or decrease in the daily portions of original issue discount for those Regular Securities.

In the case of a non-pro rata Security, it is anticipated that the trustee will determine the yield to maturity based upon the anticipated payment characteristics of the class as a whole under the prepayment assumption. In general, the original issue discount accruing on each non-pro rata Security in a full accrual period would be its allocable share of the original issue discount for the entire class, as determined in accordance with the preceding paragraph. However, in the case of a distribution in retirement of the entire unpaid principal balance of any non-pro rata Security (or portion of the unpaid principal balance), (a) the remaining unaccrued original issue discount allocable to the Security (or to that portion) will accrue at the time of the distribution, and (b) the accrual of original issue discount allocable to each remaining Security of that class will be adjusted by reducing the present value of the remaining payments on that class and the adjusted issue price of that class to the extent attributable to the portion of the unpaid principal balance thereof that was distributed. The depositor believes that the foregoing treatment is consistent with the “pro rata prepayment” rules of the OID Regulations, but with the rate of accrual of original issue discount determined based on the prepayment assumption for the class as a whole. Investors are advised to consult their tax advisors as to this treatment.

### (3) Acquisition Premium

A purchaser of a regular interest having original issue discount at a price greater than its adjusted issue price but less than its stated redemption price at maturity will be required to include in gross income the daily portions of the original issue discount on the regular interest reduced *pro rata* by a fraction, the numerator of which is the excess of its purchase price over the adjusted issue price and the denominator of which is the excess of the remaining stated redemption price at maturity over the adjusted issue price. Alternatively, a subsequent purchaser may elect to treat all that acquisition premium under the constant yield method, as described below under the heading “— Election to Treat All Interest Under the Constant Yield Method” below.

### (4) Variable Rate Regular Securities

Regular interests may provide for interest based on a variable rate. Under the OID Regulations, interest is treated as payable at a variable rate if, generally, (1) the issue price does not exceed the original principal balance by more than a specified amount and (2) the interest compounds or is payable at least annually at current values of (a) one or more “qualified floating rates,” (b) a single fixed rate and one or more qualified floating rates, (c) a single “objective rate,” or (d) a single fixed rate and a single objective rate that is a “qualified inverse floating rate.” A floating rate is a qualified floating rate if variations can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds. A multiple of a qualified floating rate is considered a qualified floating rate only if the rate is equal to either (a) the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 or (b) the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. That rate may also be subject to a fixed cap or floor, or a cap or floor that is not reasonably expected as of the issue date to affect the yield of the instrument significantly. An objective rate is any rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information, provided that the information is not (1) within the control of the issuer or a related party or (2) unique to the circumstances of the issuer or a related party. A qualified inverse floating rate is a rate equal to a fixed rate minus a qualified floating rate that inversely reflects contemporaneous variations in the cost of newly borrowed funds; an inverse floating rate that is not a qualified inverse floating rate may nevertheless be an objective rate.

The amount of original issue discount for a regular interest bearing a variable rate of interest will accrue in the manner described above under “— Original Issue Discount,” with the yield to maturity and future payments on that regular interest generally to be determined by assuming that interest will be payable for the life of the regular interest based on the initial rate (or, if different, the value of the applicable variable rate as

of the pricing date) for the relevant class. Unless required otherwise by applicable final regulations, it is anticipated that the trustee will treat that variable interest as qualified stated interest, other than variable interest on an interest-only or super-premium class. Ordinary income reportable for any period will be adjusted based on subsequent changes in the applicable interest rate index.

#### (5) Market Discount

A subsequent purchaser of a regular interest also may be subject to the market discount rules of Code Sections 1276 through 1278. Under these sections and the principles applied by the OID Regulations in the context of original issue discount, “market discount” is the amount by which the purchaser’s original basis in the regular interest (1) is exceeded by the remaining outstanding principal payments and interest payments other than qualified stated interest payments due on a regular interest, or (2) in the case of a regular interest having original issue discount, is exceeded by the adjusted issue price of that regular interest at the time of purchase. The purchaser generally will be required to recognize ordinary income to the extent of accrued market discount on that regular interest as distributions includible in the stated redemption price at maturity thereof are received, in an amount not exceeding that distribution. The market discount would accrue in a manner to be provided in Treasury regulations and should take into account the prepayment assumption. The Conference Committee Report to the 1986 Act provides that until these regulations are issued, the market discount would accrue either (1) on the basis of a constant interest rate, or (2) in the ratio of stated interest allocable to the relevant period to the sum of the interest for that period plus the remaining interest as of the end of that period, or in the case of a regular interest issued with original issue discount, in the ratio of original issue discount accrued for the relevant period to the sum of the original issue discount accrued for that period plus the remaining original issue discount as of the end of that period.

The purchaser also generally will be required to treat a portion of any gain on a sale or exchange of the regular interest as ordinary income to the extent of the market discount accrued to the date of disposition under one of the foregoing methods, less any accrued market discount previously reported as ordinary income as partial distributions in reduction of the stated redemption price at maturity were received.

The purchaser will be required to defer deduction of a portion of the excess of the interest paid or accrued on indebtedness incurred to purchase or carry a regular interest over the interest distributable thereon. The deferred portion of the interest expense in any taxable year generally will not exceed the accrued market discount on the regular interest for that year. Any deferred interest expense is, in general, allowed as a deduction not later than the year in which the related market discount income is recognized or the regular interest is disposed of.

As an alternative to the inclusion of market discount in income on the foregoing basis, the regular interest holder may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the regular interest holder in that taxable year or thereafter, in which case the interest deferral rule will not apply. See “— Election to Treat All Interest Under the Constant Yield Method” below regarding an alternative manner in which that election may be deemed to be made. A person who purchases a regular interest at a price lower than the remaining amounts includible in the stated redemption price at maturity of the Security, but higher than its adjusted issue price, does not acquire the regular interest with market discount, but will be required to report original issue discount, appropriately adjusted to reflect the excess of the price paid over the adjusted issue price.

Market discount for a regular interest will be considered to be zero if the market discount is less than 0.25% of the remaining stated redemption price at maturity of the regular interest (or, in the case of a regular interest having original issue discount, the adjusted issue price of that regular interest) multiplied by the weighted average maturity of the regular interest (determined as described above in the third paragraph under “— Original Issue Discount” above) remaining after the date of purchase. It appears that *de minimis* market discount would be reported in a manner similar to *de minimis* original issue discount. See “— Original Issue Discount” above.

Treasury regulations implementing the market discount rules have not yet been issued, and uncertainty exists with respect to many aspects of those rules. Due to the substantial lack of regulatory guidance with respect to the market discount rules, it is unclear how those rules will affect any secondary market that develops for a particular class of regular interests. Prospective investors should consult their own tax advisors regarding the application of the market discount rules. Investors should also consult Revenue Procedure 92-67 concerning the elections to include market discount in income currently and to accrue market discount on the basis of the constant yield method.

#### (6) Amortizable Premium

A regular interest purchased at a cost greater than its remaining stated redemption price at maturity generally is considered to be purchased at a premium. If the regular interest holder holds that regular interest as a “capital asset” within the meaning of Code Section 1221, the regular interest holder may elect under Code Section 171 to amortize the premium under a constant yield method that reflects compounding based on the interval between payments on the regular interest. The election will apply to all taxable debt obligations (including REMIC regular interests) acquired by the regular interest holder at a premium held in that taxable year or thereafter, unless revoked with the permission of the Internal Revenue Service.

The Conference Committee Report to the 1986 Act indicates a Congressional intent that the same rules that apply to the accrual of market discount on installment obligations will also apply to amortizing bond premium under Code Section 171 on installment obligations such as the regular interests. Amortizable bond premium generally will be treated as an offset to interest income on a regular interest, rather than as a separate deductible item. See “— Election to Treat All Interest Under the Constant Yield Method” below regarding an alternative manner in which the Code Section 171 election may be deemed to be made.

#### (7) Election to Treat All Interest Under the Constant Yield Method

A holder of a debt instrument such as a regular interest may elect to treat all interest that accrues on the instrument using the constant yield method, with none of the interest being treated as qualified stated interest. For purposes of applying the constant yield method to a debt instrument subject to this election, (1) “interest” includes stated interest, original issue discount, *de minimis* original issue discount, market discount and *de minimis* market discount, as adjusted by any amortizable bond premium or acquisition premium and (2) the debt instrument is treated as if the instrument were issued on the holder’s acquisition date in the amount of the holder’s adjusted basis immediately after acquisition. It is unclear whether, for this purpose, the initial prepayment assumption would continue to apply or if a new prepayment assumption as of the date of the holder’s acquisition would apply. A holder generally may make this election on an instrument by instrument basis or for a class or group of debt instruments. However, if the holder makes this election for a debt instrument with amortizable bond premium, the holder is deemed to have made elections to amortize bond premium currently as it accrues under the constant yield method for all premium bonds held by the holder in the same taxable year or thereafter. Alternatively, if the holder makes this election for a debt instrument with market discount, the holder is deemed to have made elections to report market discount income currently as it accrues under the constant yield method for all market discount bonds acquired by the holder in the same taxable year or thereafter. The election is made on the holder’s federal income tax return for the year in which the debt instrument is acquired and is irrevocable except with the approval of the Internal Revenue Service. Investors should consult their own tax advisors regarding the advisability of making this election.

#### (8) Treatment of Losses

Regular interest holders will be required to report income for regular interests on the accrual method of accounting, without giving effect to delays or reductions in distributions attributable to defaults or delinquencies on the mortgage loans, except to the extent it can be established that the losses are uncollectible. Accordingly, the holder of a regular interest, particularly a subordinate Security, may have income, or may incur a diminution in cash flow as a result of a default or delinquency, but may not be able to take a deduction (subject to the discussion below) for the corresponding loss until a subsequent taxable

year. In this regard, investors are cautioned that while they may generally cease to accrue interest income if it reasonably appears that the interest will be uncollectible, the Internal Revenue Service may take the position that original issue discount must continue to be accrued in spite of its uncollectibility until the debt instrument is disposed of in a taxable transaction or becomes worthless in accordance with the rules of Code Section 166.

To the extent the rules of Code Section 166 regarding bad debts are applicable, it appears that regular interest holders that are corporations or that otherwise hold the regular interests in connection with a trade or business should in general be allowed to deduct as an ordinary loss that loss with respect to principal sustained during the taxable year on account of any regular interest becoming wholly or partially worthless, and that, in general, regular interest holders that are not corporations and do not hold the regular interests in connection with a trade or business should be allowed to deduct as a short-term capital loss any loss sustained during the taxable year on account of any regular interest becoming totally worthless.

Regular interest holders are urged to consult their own tax advisors regarding the appropriate timing, amount and character of any loss sustained for their regular interests. While losses attributable to interest previously reported as income should be deductible as ordinary losses by both corporate and non-corporate holders, the Internal Revenue Service may take the position that losses attributable to accrued original issue discount may only be deducted as capital losses in the case of non-corporate holders who do not hold the Regular Securities in connection with a trade or business.

#### (9) Sale or Exchange of Regular Securities

If a regular interest holder sells or exchanges a regular interest, the regular interest holder will recognize gain or loss equal to the difference, if any, between the amount received and its adjusted basis in the regular interest. The adjusted basis of a regular interest generally will equal the original cost of the regular interest to the seller, increased by any original issue discount or market discount previously included in the seller's gross income for the regular interest and reduced by amounts included in the stated redemption price at maturity of the regular interest that were previously received by the seller, by any amortized premium, and by any recognized losses.

Except as described above regarding market discount, and except as provided in this paragraph, any gain or loss on the sale or exchange of a regular interest realized by an investor who holds the regular interest as a capital asset will be capital gain or loss and will be long-term or short-term depending on whether the regular interest has been held for the long-term capital gain holding period (currently, more than one year). Gain will be treated as ordinary income

(1) if a regular interest is held as part of a "conversion transaction" as defined in Code Section 1258(c), up to the amount of interest that would have accrued on the regular interest holder's net investment in the conversion transaction at 120% of the appropriate applicable federal rate in effect at the time the taxpayer entered into the transaction minus any amount previously treated as ordinary income for any prior disposition of property that was held as part of that transaction;

(2) in the case of a non-corporate taxpayer, to the extent that the taxpayer has made an election under Code Section 163(d)(4) to have net capital gains taxed as investment income at ordinary income rates; or

(3) to the extent that the gain does not exceed the excess, if any, of (a) the amount that would have been includible in the gross income of the holder if its yield on that regular interest were 110% of the applicable federal rate as of the date of purchase, over (b) the amount of income actually includible in the gross income of the holder for that regular interest.

In addition, gain or loss recognized from the sale of a regular interest by certain banks or thrift institutions will be treated as ordinary income or loss pursuant to Code Section 582(c). Long-term capital gains of certain noncorporate taxpayers generally are subject to a lower maximum tax rate than ordinary

income of those taxpayers for property held for more than one year. Currently, the maximum tax rate for corporations is the same for both ordinary income and capital gains.

### *Taxation of Owners of Residual Securities*

#### (1) Taxation of REMIC Income

Generally, the “daily portions” of REMIC taxable income or net loss will be includible as ordinary income or loss in determining the federal taxable income of holders of Residual Securities (“Residual Securityholders”), and will not be taxed separately to the REMIC Pool. The daily portions of REMIC taxable income or net loss of a Residual Securityholder are determined by allocating the REMIC Pool’s taxable income or net loss for each calendar quarter ratably to each day in that quarter and by allocating that daily portion among the Residual Securityholders in proportion to their respective holdings of Residual Securities in the REMIC Pool on that day. REMIC taxable income is generally determined in the same manner as the taxable income of an individual using the accrual method of accounting, except that

- (1) the limitations on deductibility of investment interest expense and expenses for the production of income do not apply;
- (2) all bad loans will be deductible as business bad debts; and
- (3) disallowance of the deduction for interest expenses related to tax-exempt obligations, is determined as if the REMIC were a financial institution described in Section 265(b) of the Code.

The REMIC Pool’s gross income includes interest, original issue discount income and market discount income, if any, on the mortgage loans, reduced by amortization of any premium on the mortgage loans, plus income from amortization of issue premium, if any, on the regular interests, plus income on reinvestment of cash flows and reserve assets, plus any cancellation of indebtedness income upon allocation of realized losses to the regular interests. The REMIC Pool’s deductions include interest and original issue discount expense on the regular interests, servicing fees on the mortgage loans, other administrative expenses of the REMIC Pool and realized losses on the mortgage loans. The requirement that Residual Securityholders report their *pro rata* share of taxable income or net loss of the REMIC Pool will continue until there are no Securities of any class of the related series outstanding.

The taxable income recognized by a Residual Securityholder in any taxable year will be affected by, among other factors, the relationship between the timing of recognition of interest, original issue discount or market discount income or amortization of premium for the mortgage loans, on the one hand, and the timing of deductions for interest (including original issue discount) or income from amortization of issue premium on the regular interests, on the other hand. If an interest in the mortgage loans is acquired by the REMIC Pool at a discount, and one or more of these mortgage loans is prepaid, the proceeds of the prepayment may be used in whole or in part to make distributions in reduction of principal on the regular interests, and (2) the discount on the mortgage loans that is includible in income may exceed the deduction allowed upon those distributions on those regular interests on account of any unaccrued original issue discount relating to those regular interests. When there is more than one class of regular interests that distribute principal sequentially, this mismatching of income and deductions is particularly likely to occur in the early years following issuance of the regular interests when distributions in reduction of principal are being made in respect of earlier classes of regular interests to the extent that those classes are not issued with substantial discount or are issued at a premium. If taxable income attributable to that mismatching is realized, in general, losses would be allowed in later years as distributions on the later maturing classes of regular interests are made.

Taxable income may also be greater in earlier years than in later years as a result of the fact that interest expense deductions, expressed as a percentage of the outstanding principal amount of that series of regular interests, may increase over time as distributions in reduction of principal are made on the lower yielding classes of regular interests, whereas, to the extent the REMIC Pool consists of fixed rate mortgage loans, interest income for any particular mortgage loan will remain constant over time as a percentage of the outstanding principal amount of that loan. Consequently, Residual Securityholders must have sufficient other

sources of cash to pay any federal, state, or local income taxes due as a result of that mismatching or unrelated deductions against which to offset that income, subject to the discussion of “excess inclusions” below under “— Limitations on Offset or Exemption of REMIC Income.” The timing of mismatching of income and deductions described in this paragraph, if present for a series of Securities, may have a significant adverse effect upon a Residual Securityholder’s after-tax rate of return.

A portion of the income of a Residual Securityholder may be treated unfavorably in three contexts:

- (1) it may not be offset by current or net operating loss deductions;
- (2) it will be considered unrelated business taxable income to tax-exempt entities; and
- (3) it is ineligible for any statutory or treaty reduction in the 30% withholding tax otherwise available to a foreign Residual Securityholder.

See “— Limitations on Offset or Exemption of REMIC Income” below. In addition, a Residual Securityholder’s taxable income during certain periods may exceed the income reflected by those Residual Securityholders for those periods in accordance with generally accepted accounting principles. Investors should consult their own accountants concerning the accounting treatment of their investment in Residual Securities.

## (2) Basis and Losses

The amount of any net loss of the REMIC Pool that may be taken into account by the Residual Securityholder is limited to the adjusted basis of the Residual Security as of the close of the quarter (or time of disposition of the Residual Security if earlier), determined without taking into account the net loss for the quarter. The initial adjusted basis of a purchaser of a Residual Security is the amount paid for that Residual Security. The adjusted basis will be increased by the amount of taxable income of the REMIC Pool reportable by the Residual Securityholder and will be decreased (but not below zero), first, by a cash distribution from the REMIC Pool and, second, by the amount of loss of the REMIC Pool reportable by the Residual Securityholder. Any loss that is disallowed on account of this limitation may be carried over indefinitely with respect to the Residual Securityholder as to whom the loss was disallowed and may be used by the Residual Securityholder only to offset any income generated by the same REMIC Pool.

A Residual Securityholder will not be permitted to amortize directly the cost of its Residual Security as an offset to its share of the taxable income of the related REMIC Pool. However, the taxable income will not include cash received by the REMIC Pool that represents a recovery of the REMIC Pool’s basis in its assets. Although the law is unclear in some respects, the recovery of basis by the REMIC Pool will have the effect of amortization of the issue price of the Residual securities over their life. However, in view of the possible acceleration of the income of Residual Securityholders described above under “— Taxation of REMIC Income,” the period of time over which the issue price is effectively amortized may be longer than the economic life of the Residual Securities.

A Residual Security may have a negative value if the net present value of anticipated tax liabilities exceeds the present value of anticipated cash flows. The REMIC Regulations appear to treat the issue price of the residual interest as zero rather than the negative amount for purposes of determining the REMIC Pool’s basis in its assets. The preamble to the REMIC Regulations states that the Internal Revenue Service may provide future guidance on the proper tax treatment of payments made by a transferor of the residual interest to induce the transferee to acquire the interest, and Residual Securityholders should consult their own tax advisors in this regard.

Further, to the extent that the initial adjusted basis of a Residual Securityholder (other than an original holder) in the Residual Security is greater than the corresponding portion of the REMIC Pool’s basis in the mortgage loans, the Residual Securityholder will not recover a portion of the basis until termination of the REMIC Pool unless future Treasury regulations provide for periodic adjustments to the REMIC income otherwise reportable by the holder. The REMIC Regulations currently in effect do not so provide. See



“— Treatment of Certain Items of REMIC Income and Expense — Market Discount” below regarding the basis of mortgage loans to the REMIC Pool and “— Sale or Exchange of a Residual Security” below regarding possible treatment of a loss upon termination of the REMIC Pool as a capital loss.

### (3) Treatment of Certain Items of REMIC Income and Expense

Although it is anticipated that the trustee will compute REMIC income and expense in accordance with the Code and applicable regulations, the authorities regarding the determination of specific items of income and expense are subject to differing interpretations. The depositor makes no representation as to the specific method that will be used for reporting income with respect to the mortgage loans and expenses for the regular interests, and different methods could result in different timing or reporting of taxable income or net loss to Residual Securityholders or differences in capital gain versus ordinary income.

*Original Issue Discount and Premium.* Generally, the REMIC Pool’s deductions for original issue discount and income from amortization of premium will be determined in the same manner as original issue discount income on regular interests as described above under “— Taxation of Owners of REMIC Regular Interests — Original Issue Discount” and “— Variable Rate Regular Securities,” without regard to the de minimis rule described therein, and “— Amortizable Premium.”

*Market Discount.* The REMIC Pool will have market discount income in respect of mortgage loans if, in general, the basis of the REMIC Pool in those mortgage loans is exceeded by their unpaid principal balances. The REMIC Pool’s basis in those mortgage loans is generally the fair market value of the mortgage loans immediately after the transfer thereof to the REMIC Pool. The REMIC Regulations provide that the basis is equal to the total of the issue prices of all regular and residual interests in the REMIC Pool. The accrued portion of the market discount would be recognized currently as an item of ordinary income in a manner similar to original issue discount. Market discount income generally should accrue in the manner described above under “— Taxation of Owners of REMIC Regular Interests — Market Discount.”

*Premium.* Generally, if the basis of the REMIC Pool in the mortgage loans exceeds the unpaid principal balances thereof, the REMIC Pool will be considered to have acquired those mortgage loans at a premium equal to the amount of that excess. As stated above, the REMIC Pool’s basis in mortgage loans is the fair market value of the mortgage loans, based on the total of the issue prices of the regular and residual interests in the REMIC Pool immediately after the transfer thereof to the REMIC Pool. In a manner analogous to the discussion above under “— Taxation of Owners of REMIC Regular Interests — Amortizable Premium,” a person that holds a mortgage loan as a capital asset under Code Section 1221 may elect under Code Section 171 to amortize premium on mortgage loans originated after September 27, 1985, under the constant yield method. Amortizable bond premium will be treated as an offset to interest income on the mortgage loans, rather than as a separate deduction item. Because substantially all of the borrowers on the mortgage loans are expected to be individuals, Code Section 171 will not be available for premium on mortgage loans originated on or before September 27, 1985. Premium for those mortgage loans may be deductible in accordance with a reasonable method regularly employed by the holder thereof. The allocation of that premium *pro rata* among principal payments should be considered a reasonable method; however, the Internal Revenue Service may argue that the premium should be allocated in a different manner, such as allocating the premium entirely to the final payment of principal.

### (4) Limitations on Offset or Exemption of REMIC Income

A portion (or all) of the REMIC taxable income includible in determining the federal income tax liability of a Residual Securityholder will be subject to special treatment. That portion, referred to as the “excess inclusion,” is equal to the excess of REMIC taxable income for the calendar quarter allocable to a Residual Security over the daily accruals for that quarterly period of (1) 120% of the long-term applicable federal rate that would have applied to the Residual Security (if it were a debt instrument) on the Startup Day under Code Section 1274(d), multiplied by (2) the adjusted issue price of the Residual Security at the beginning of the quarterly period. For this purpose, the adjusted issue price of a Residual Security at the beginning of a quarter is the issue price of the Residual Security, plus the amount of those daily accruals of

REMIC income described in this paragraph for all prior quarters, decreased by any distributions made with respect to the Residual Security before the beginning of that quarterly period. Accordingly, the portion of the REMIC Pool's taxable income that will be treated as excess inclusions will be a larger portion of that income as the adjusted issue price of the Residual Securities diminishes.

The portion of a Residual Securityholder's REMIC taxable income consisting of the excess inclusions generally may not be offset by other deductions, including net operating loss carryforwards, on the Residual Securityholder's return. However, net operating loss carryovers are determined without regard to excess inclusion income. Further, if the Residual Securityholder is an organization subject to the tax on unrelated business income imposed by Code Section 511, the Residual Securityholder's excess inclusions will be treated as unrelated business taxable income of the Residual Securityholder for purposes of Code Section 511. In addition, REMIC taxable income is subject to 30% withholding tax for certain persons who are not U.S. Persons (as defined below under "— Tax-Related Restrictions on Transfer of Residual Securities — Foreign Investors"), and the portion thereof attributable to excess inclusions is not eligible for any reduction in the rate of withholding tax (by treaty or otherwise). See "— Taxation of Certain Foreign Investors — Residual Securities" below. Finally, if a real estate investment trust or a regulated investment company owns a Residual Security, a portion (allocated under Treasury regulations yet to be issued) of dividends paid by the real estate investment trust or regulated investment company could not be offset by net operating losses of its shareholders, would constitute unrelated business taxable income for tax-exempt shareholders, and would be ineligible for reduction of withholding to certain persons who are not U.S. Persons.

In addition, the Code provides three specific rules for determining the effect of excess inclusions on the alternative minimum taxable income of a Residual Securityholder. First, alternative minimum taxable income for a Residual Securityholder is determined without regard to the special rule, discussed above, that taxable income cannot be less than excess inclusions. Second, a Residual Securityholder's alternative minimum taxable income for a taxable year cannot be less than the excess inclusions for the year. Third, the amount of any alternative minimum tax net operating loss deduction must be computed without regard to any excess inclusions.

#### (5) Tax-Related Restrictions on Transfer of Residual Securities

*Disqualified Organizations.* If any legal or beneficial interest in a Residual Security is transferred to a Disqualified Organization (as defined below), a tax would be imposed in an amount equal to the product of (1) the present value of the total anticipated excess inclusions for that Residual Security for periods after the transfer and (2) the highest marginal federal income tax rate applicable to corporations. The REMIC Regulations provide that the anticipated excess inclusions are based on actual prepayment experience to the date of the transfer and projected payments based on the prepayment assumption. The present value rate equals the applicable federal rate under Code Section 1274(d) as of the date of the transfer for a term ending with the last calendar quarter in which excess inclusions are expected to accrue. That rate is applied to the anticipated excess inclusions from the end of the remaining calendar quarters in which they arise to the date of the transfer. That tax generally would be imposed on the transferor of the Residual Security, except that where the transfer is through an agent (including a broker, nominee, or other middleman) for a Disqualified Organization, the tax would instead be imposed on the agent. However, a transferor of a Residual Security would in no event be liable for the tax for a transfer if the transferee furnished to the transferor an affidavit stating that the transferee is not a Disqualified Organization and, as of the time of the transfer, the transferor does not have actual knowledge that the affidavit is false. The tax also may be waived by the Internal Revenue Service if the Disqualified Organization promptly disposes of the Residual Security and the transferor pays income tax at the highest corporate rate on the excess inclusion for the period the Residual Security is actually held by the Disqualified Organization.

In addition, if a "Pass-Through Entity" (as defined below) has excess inclusion income from a Residual Security during a taxable year and a Disqualified Organization is the record holder of an equity interest in that entity, then a tax is imposed on the entity equal to the product of (1) the amount of excess inclusions that are allocable to the interest in the Pass-Through Entity during the period that interest is held by the Disqualified Organization, and (2) the highest marginal federal corporate income tax rate. That tax would be

deductible from the ordinary gross income of the Pass-Through Entity for the taxable year. The Pass-Through Entity would not be liable for the tax if it has received an affidavit from the record holder that it is not a Disqualified Organization or stating the holder's taxpayer identification number and, during the period that person is the record holder of the Residual Security, the Pass-Through Entity does not have actual knowledge that the affidavit is false.

If an "electing large partnership" holds a Residual Security, all interests in the electing large partnership are treated as held by Disqualified Organizations for purposes of the tax imposed upon a Pass-Through Entity by Section 860E(c) of the Code. An exception to this tax, otherwise available to a Pass-Through Entity that is furnished certain affidavits by record holders of interests in the entity and that does not know those affidavits are false, is not available to an electing large partnership.

- "Disqualified Organization" means the United States, any state or political subdivision thereof, any foreign government, any international organization, any agency or instrumentality of any of the foregoing (provided, that the term does not include an instrumentality if all of its activities are subject to tax and a majority of its board of directors is not selected by any governmental entity), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas as described in Code Section 1381(a)(2)(C), and any organization (other than a farmers' cooperative described in Code Section 521) that is exempt from taxation under the Code unless the organization is subject to the tax on unrelated business income imposed by Code Section 511.
- "Pass-Through Entity" means any regulated investment company, real estate investment trust, common trust fund, partnership, trust or estate and certain corporations operating on a cooperative basis. Except as may be provided in Treasury regulations, any person holding an interest in a Pass-Through Entity as a nominee for another will, with respect to that interest, be treated as a Pass-Through Entity.

The trust agreement for a series will provide that no legal or beneficial interest in a Residual Security may be transferred or registered unless (1) the proposed transferee furnished to the transferor and the trustee an affidavit providing its taxpayer identification number and stating that the transferee will be the beneficial owner of the Residual Security and is not a Disqualified Organization and is not purchasing the Residual Security on behalf of a Disqualified Organization (i.e., as a broker, nominee or middleman thereof) and (2) the transferor provides a statement in writing to the trustee that it has no actual knowledge that the affidavit is false. Moreover, the trust agreement will provide that any attempted or purported transfer in violation of these transfer restrictions will be null and void and will vest no rights in any purported transferee. Each Residual Security for a series will bear a legend referring to those restrictions on transfer, and each Residual Securityholder will be deemed to have agreed, as a condition of ownership thereof, to any amendments to the related trust agreement required under the Code or applicable Treasury regulations to effectuate the foregoing restrictions. Information necessary to compute an applicable excise tax must be furnished to the Internal Revenue Service and to the requesting party within 60 days of the request, and the Seller or the trustee may charge a fee for computing and providing that information.

*Noneconomic Residual Interests.* The REMIC Regulations would disregard certain transfers of Residual Securities, in which case the transferor would continue to be treated as the owner of the Residual Securities and thus would continue to be subject to tax on its allocable portion of the net income of the REMIC Pool. Under the REMIC Regulations, a transfer of a "noneconomic residual interest" (as defined below) to a Residual Securityholder (other than a Residual Securityholder who is not a U.S. Person as defined below under "— Foreign Investors") is disregarded for all federal income tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. A residual interest in a REMIC (including a residual interest with a positive value at issuance) is a "noneconomic residual interest" unless, at the time of the transfer, (1) the present value of the expected future distributions on the residual interest at least equals the product of the present value of the anticipated excess inclusions and the highest corporate income tax rate in effect for the year in which the transfer occurs, and (2) the transferor reasonably expects that the transferee will receive distributions from the REMIC at or after the time at which taxes accrue on the anticipated excess inclusions in an amount sufficient to satisfy the accrued taxes on each excess inclusion. The anticipated excess inclusions and the present value rate are determined in the same manner as set forth above under

“— Disqualified Organizations.” The REMIC Regulations explain that a significant purpose to impede the assessment or collection of tax exists if the transferor, at the time of the transfer, either knew or should have known that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the REMIC.

A safe harbor is provided if (1) the transferor conducted, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and found that the transferee historically had paid its debts as they came due and found no significant evidence to indicate that the transferee would not continue to pay its debts as they came due in the future, and (2) the transferee represents to the transferor that it understands that, as the holder of the non-economic residual interest, the transferee may incur liabilities in excess of any cash flows generated by the interest and that the transferee intends to pay taxes associated with holding the residual interest as they become due. The trust agreement for each series of Certificates will require the transferee of a Residual Security to certify to the matters in the preceding sentence as part of the affidavit described above under the heading “— Disqualified Organizations.”

Proposed Treasury regulations issued on February 4, 2000 (the “New Proposed Regulations”) would modify the safe harbor under which transfers of noneconomic residual interests are treated as not disregarded for federal income tax purposes. Under the New Proposed Regulations, a transfer of a noneconomic residual interest would not qualify under this safe harbor unless the present value of the anticipated tax liabilities associated with holding the residual interest does not exceed the sum of the present value of the sum of (i) any consideration given to the transferee to acquire the interest, (ii) future distributions on the interest, and (iii) any anticipated tax savings associated with holding the interest as the REMIC generates losses. For purposes of this calculation, the present value generally is calculated using a discount rate equal to the applicable federal rate. The New Proposed Regulations have a proposed effective date of February 4, 2000.

On December 8, 2000, the IRS issued Rev. Proc. 2001-12, which creates an additional safe harbor for transfers of non-economic residual interests to purchasers that are domestic, taxable C corporations (other than REITs, RICs, or cooperatives). A transfer generally satisfies the new safe harbor if (1) at the time of the transfer, and at the close of each of the purchaser’s two fiscal years preceding the year of transfer, the purchaser’s gross assets for financial reporting purposes exceed \$100 million and its net assets for financial reporting purposes exceed \$10 million, (2) the purchaser makes a written agreement that any subsequent transfer of the interest will be to another taxable, domestic C corporation in a transaction that satisfies the safe harbor, and (3) the facts and circumstances known to the transferor on or before the date of the transfer do not reasonably indicate that the taxes associated with the residual interest will not be paid. In addition, the transfer must meet the other conditions, described above, requiring the transferor to investigate the financial condition of the purchaser and get a statement from the purchaser that it understands the tax nature of a noneconomic residual interest and intends to pay the taxes associated with holding the interest. Investors should consult their own tax advisors before transferring any residual interest.

*Foreign Investors.* The REMIC Regulations provide that the transfer of a Residual Security that has “tax avoidance potential” to a “foreign person” will be disregarded for all federal tax purposes. This rule appears intended to apply to a transferee who is not a “U.S. Person” (as defined below), unless the transferee’s income is effectively connected with the conduct of a trade or business within the United States. A Residual Security is deemed to have tax avoidance potential unless, at the time of the transfer, (1) the future value of expected distributions equals at least 30% of the anticipated excess inclusions after the transfer, and (2) the transferor reasonably expects that the transferee will receive sufficient distributions from the REMIC Pool at or after the time at which the excess inclusions accrue and before the end of the next succeeding taxable year for the accumulated withholding tax liability to be paid. If the non-U.S. Person transfers the Residual Security back to a U.S. Person, the transfer will be disregarded and the foreign transferor will continue to be treated as the owner unless arrangements are made so that the transfer does not have the effect of allowing the transferor to avoid tax on accrued excess inclusions.

The prospectus supplement relating to the Certificates of a series may provide that a Residual Security may not be purchased by or transferred to any person that is not a U.S. Person or may describe the circumstances and restrictions pursuant to which the transfer may be made. The term “U.S. Person” means a

citizen or resident of the United States, a corporation, a partnership (except as provided in applicable Treasury regulations) or any entity treated as a partnership or as a corporation created or organized in or under the laws of the United States or of any state (including, for this purpose, the District of Columbia), an estate that 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 is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust (or, to the extent provided in applicable Treasury regulations, certain trusts in existence on August 20, 1996, which are eligible to elect to be treated as U.S. Persons).

#### (6) Sale or Exchange of a Residual Security

Upon the sale or exchange of a Residual Security, the Residual Securityholder will recognize gain or loss equal to the excess, if any, of the amount realized over the adjusted basis (as described above under “— Taxation of Owners of Residual Securities — Basis and Losses”) of the Residual Securityholder in the Residual Security at the time of the sale or exchange. In addition to reporting the taxable income of the REMIC Pool, a Residual Securityholder will have taxable income to the extent that any cash distribution to it from the REMIC Pool exceeds the holder’s adjusted basis on that Distribution Date. That income will be treated as gain from the sale or exchange of the Residual Securityholder’s Residual Security, in which case, if the Residual Securityholder has an adjusted basis in its Residual Security remaining when its interest in the REMIC Pool terminates, and if it holds the Residual Security as a capital asset under Code Section 1221, then it will recognize a capital loss at that time in the amount of the remaining adjusted basis.

Any gain on the sale of a Residual Security will be treated as ordinary income (1) if a Residual Security is held as part of a “conversion transaction” as defined in Code Section 1258(c), up to the amount of interest that would have accrued on the Residual Securityholder’s net investment in the conversion transaction at 120% of the appropriate applicable federal rate in effect at the time the taxpayer entered into the transaction minus any amount previously treated as ordinary income for any prior disposition of property that was held as a part of that transaction or (2) in the case of a non-corporate taxpayer, to the extent that the taxpayer has made an election under Code Section 163(d)(4) to have net capital gains taxed as investment income at ordinary income rates. In addition, gain or loss recognized from the sale of a Residual Security by certain banks or thrift institutions will be treated as ordinary income or loss pursuant to Code Section 582(c).

Except as provided in Treasury regulations yet to be issued, the wash sale rules of Code Section 1091 will apply to dispositions of Residual Securities where the seller of the Residual Security, during the period beginning six months before the sale or disposition of the Residual Security and ending six months after the sale or disposition, acquires (or enters into any other transaction that results in the application of Code Section 1091) any residual interest in any REMIC or any interest in a “taxable mortgage pool” (such as a non-REMIC owner trust) that is economically comparable to a Residual Security.

#### (7) Mark to Market Regulations

Code Section 475 generally requires dealers to mark to market securities they own. Regulations adopted under Code Section 475 provide that a Residual Security is not a security and cannot be marked to market under Code Section 475.

#### *Taxes That May Be Imposed on the REMIC Pool*

##### (1) Prohibited Transactions

Income from certain transactions by the REMIC Pool, called prohibited transactions, will not be part of the calculation of income or loss includible in the federal income tax returns of Residual Securityholders, but rather will be taxed directly to the REMIC Pool at a 100% rate. Prohibited transactions generally include:

- (1) the disposition of a qualified mortgages other than in connection with

- (a) substitution within two years of the Startup Day of a qualified replacement mortgage for a defective (including a defaulted) obligation (or repurchase in lieu of substitution of a defective (including a defaulted) obligation at any time) or the substitution of a qualified replacement mortgage for another qualified mortgage within three months of the Startup Day;
  - (b) foreclosure, default, or imminent default of a qualified mortgage;
  - (c) bankruptcy or insolvency of the REMIC Pool; or
  - (d) a qualified (complete) liquidation of the REMIC;
- (2) the receipt of income from assets that are not the type of mortgages or investments that the REMIC Pool is permitted to hold;
- (3) the receipt of compensation for services; or
- (4) the receipt of gain from disposition of cash flow investments other than pursuant to a qualified liquidation.

Notwithstanding (1) and (4) above, it is not a prohibited transaction to sell a qualified mortgage or cash flow investment held by a REMIC Pool to prevent a default on regular interests as a result of a default on qualified mortgages or to facilitate a clean-up call (generally, an optional termination to save administrative costs when no more than a small percentage of the Securities is outstanding). The REMIC Regulations indicate that the modification of a mortgage loan generally will not be treated as a disposition if it is occasioned by a default or reasonably foreseeable default, an assumption of the mortgage loan, the waiver of a due-on-sale or due-on-encumbrance clause, or the conversion of an interest rate by a borrower pursuant to the terms of a convertible adjustable rate mortgage loan.

#### (2) Contributions to the REMIC Pool After the Startup Day

In general, the REMIC Pool will be subject to a tax at a 100% rate on the value of any property contributed to the REMIC Pool after the Startup Day. Exceptions are provided for cash contributions to the REMIC Pool (1) during the three months following the Startup Day, (2) made to a qualified reserve fund by a Residual Securityholder, (3) in the nature of a guarantee, (4) made to facilitate a qualified liquidation or clean-up call, and (5) as otherwise permitted in Treasury regulations yet to be issued. It is not anticipated that there will be any contributions to the REMIC Pool after the Startup Day.

#### (3) Net Income from Foreclosure Property

The REMIC Pool will be subject of federal income tax at the highest corporate rate on “net income from foreclosure property,” determined by reference to the rules applicable to real estate investment trusts. Generally, property acquired by deed in lieu of foreclosure would be treated as “foreclosure property” until the close of the third calendar year after the year in which the REMIC Pool acquired that property, with possible extensions. Net income from foreclosure property generally means gain from the sale of a foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust. It is not anticipated that the REMIC Pool will have any taxable net income from foreclosure property.

#### *Liquidation of the REMIC Pool*

If a REMIC Pool adopts a plan of complete liquidation, within the meaning of Code Section 860F(a)(4)(A)(i), which may be accomplished by designating in the REMIC Pool’s final tax return a date on which that adoption is deemed to occur, and sells all of its assets (other than cash) within a 90-day period beginning on that date, the REMIC Pool will not be subject to the prohibited transaction rules on the sale of its assets, provided that the REMIC Pool credits or distributes in liquidation all of the sale proceeds plus its cash (other than amounts retained to meet claims) to holders of regular interests and Residual Securityholders within the 90-day period.

### *Administrative Matters*

The REMIC Pool will be required to maintain its books on a calendar year basis and to file federal income tax returns for federal income tax purposes in a manner similar to a partnership. The form for the income tax return is Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return. The trustee will be required to sign the REMIC Pool's returns. Treasury regulations provide that, except where there is a single Residual Securityholder for an entire taxable year, the REMIC Pool will be subject to the procedural and administrative rules of the Code applicable to partnerships, including the determination by the Internal Revenue Service of any adjustments to, among other things, items of REMIC income, gain, loss, deduction, or credit in a unified administrative proceeding. The master servicer will be obligated to act as "tax matters person," as defined in applicable Treasury regulations, for the REMIC Pool as agent of the Residual Securityholders holding the largest percentage interest in the Residual Securities. If the Code or applicable Treasury regulations do not permit the master servicer to act as tax matters person in its capacity as agent of the Residual Securityholder, the Residual Securityholder or any other person specified pursuant to Treasury regulations will be required to act as tax matters person. The tax matters person generally has responsibility for overseeing and providing notice to the other Residual Securityholders of certain administrative and judicial proceedings regarding the REMIC Pool's tax affairs, although other holders of the Residual Securities of the same series would be able to participate in those proceedings in appropriate circumstances.

### *Limitations on Deduction of Certain Expenses*

An investor who is an individual, estate, or trust will be subject to limitation with respect to certain itemized deductions described in Code Section 67, to the extent that those itemized deductions, in total, do not exceed 2% of the investor's adjusted gross income. In addition, Code Section 68 provides that itemized deductions otherwise allowable for a taxable year of an individual taxpayer will be reduced by the lesser of (1) 3% of the excess, if any, of adjusted gross income over \$100,000 (\$50,000 in the case of a married individual filing a separate return) (in each case adjusted for post-1991 inflation), or (2) 80% of the amount of itemized deductions otherwise allowable for that year. This reduction is currently scheduled to be phased-out over a five year period beginning in 2006. In the case of a REMIC Pool, those deductions may include deductions under Code Section 212 for the Servicing Fee and all administrative and other expenses relating to the REMIC Pool, or any similar expenses allocated to the REMIC Pool for a regular interest it holds in another REMIC. Those investors who hold REMIC Securities either directly or indirectly through certain pass-through entities may have their *pro rata* share of those expenses allocated to them as additional gross income, but may be subject to that limitation on deductions. In addition, those expenses are not deductible at all for purposes of computing the alternative minimum tax, and may cause those investors to be subject to significant additional tax liability. Temporary Treasury regulations provide that the additional gross income and corresponding amount of expenses generally are to be allocated entirely to the holders of Residual Securities in the case of a REMIC Pool that would not qualify as a fixed investment trust in the absence of a REMIC election. For a REMIC Pool that would be classified as an investment trust in the absence of a REMIC election or that is substantially similar to an investment trust, any holder of a Regular Security that is an individual, trust, estate, or pass-through entity also will be allocated its *pro rata* share of those expenses and a corresponding amount of income and will be subject to the limitations or deductions imposed by Code Sections 67 and 68, as described above. The prospectus supplement will indicate if all those expenses will not be allocable to the Residual Securities.

In general, the allocable portion will be determined based on the ratio that a REMIC securityholder's income, determined on a daily basis, bears to the income of all holders of regular interests and Residual Securities for a REMIC Pool. As a result, individuals, estates or trusts holding REMIC Securities (either directly or indirectly through a grantor trust, partnership, S corporation, REMIC, or certain other pass-through entities described in the foregoing temporary Treasury regulations) may have taxable income in excess of the interest income at the Interest Rate on regular interests that are issued in a single class or otherwise consistently with fixed investment trust status or in excess of cash distributions for the related period on Residual Securities.

(1) Regular Interests

Interest, including original issue discount, distributable to regular interest holders who are non-resident aliens, foreign corporations, or other Non-U.S. Persons (as defined below), generally will be considered “portfolio interest” and, therefore, generally will not be subject to 30% United States withholding tax, provided that (1) the interest is not effectively connected with the conduct of a trade or business in the United States of the securityholder, (2) the Non-U.S. Person is not a “10-percent shareholder” within the meaning of Code Section 871(h)(3)(B) or a controlled foreign corporation described in Code Section 881(c)(3)(C) and (3) that Non-U.S. Person provides the trustee, or the person who would otherwise be required to withhold tax from those distributions under Code Section 1441 or 1442, with an appropriate statement, signed under penalties of perjury, identifying the beneficial owner and stating, among other things, that the beneficial owner of the Regular Security is a Non-U.S. Person. If that statement, or any other required statement, is not provided, 30% withholding will apply unless reduced or eliminated pursuant to an applicable tax treaty or unless the interest on the Regular Security is effectively connected with the conduct of a trade or business within the United States by that Non-U.S. Person. In the latter case, the Non-U.S. Person will be subject to United States federal income tax at regular rates. Investors who are Non-U.S. Persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Regular Security. The term “Non-U.S. Person” means any person who is not a U.S. Person.

The Internal Revenue Service recently issued final regulations (the “New Regulations”) that would provide alternative methods of satisfying the beneficial ownership certification requirement described above. The New Regulations are effective for payments made after December 31, 2000. The New Regulations require, in the case of Regular Certificates held by a foreign partnership, that (x) the certification described above be provided by the partners rather than by the foreign partnership and (y) the partnership provide certain information, including a United States taxpayer identification number. A look-through rule would apply in the case of tiered partnerships. Non-U.S. Persons should consult their own tax advisors concerning the application of the certification requirements in the New Regulations.

(2) Residual Securities

The Conference Committee Report to the 1986 Act indicates that amounts paid to Residual Securityholders who are Non-U.S. Persons generally should be treated as interest for purposes of the 30% (or lower treaty rate) United States withholding tax. Treasury regulations provide that amount distributed to Residual Securityholders may qualify as “portfolio interest,” subject to the conditions described in “regular interests” above, but only to the extent that (1) the mortgage loans were issued after July 18, 1984, and (2) the trust fund or segregated pool of assets therein (as to which a separate REMIC election will be made), to which the Residual Security relates, consists of obligations issued in “registered form” within the meaning of Code Section 163 (f) (1). Generally, mortgage loans will not be, but regular interests in another REMIC Pool will be, considered obligations issued in registered form. Furthermore, Residual Securityholders will not be entitled to any exemption from the 30% withholding tax (or lower treaty rate) to the extent of that portion of REMIC taxable income that constitutes an “excess inclusion.” See “— Taxation of Owners of Residual Securities — Limitations on Offset or Exemption of REMIC Income” above. If the amounts paid to Residual Securityholders who are Non-U.S. Persons are effectively connected with the conduct of a trade or business within the United States by those Non-U.S. Persons, the 30% (or lower treaty rate) withholding will not apply. Instead, the amounts paid to those Non-U.S. Persons will be subject to United States federal income tax at regular rates. If the 30% (or lower treaty rate) withholding is applicable, those amounts generally will be taken into account for purposes of withholding only when paid or otherwise distributed (or when the Residual Security is disposed of) under rules similar to withholding upon disposition of debt instruments that have original issue discount. See “— Tax-Related Restrictions on Transfer of Residual Securities — Foreign Investors” above concerning the disregard of certain transfers having “tax avoidance potential.” Investors who are Non-U.S. Persons should consult their own tax advisors regarding the specific tax consequences to them of owning Residual Securities.



### (3) Backup Withholding

Distributions made on the regular interests, and proceeds from the sale of the regular interests to or through certain brokers, may be subject to a “backup” withholding tax under Code Section 3406 on “reportable payments” (including interest distributions, original issue discount, and, under some circumstances, principal distributions) unless the Regular holder complies with certain reporting and/or certification procedures, including the provision of its taxpayer identification number to the trustee, its agent or the broker who effected the sale of the Regular Security, or that holder is otherwise an exempt recipient under applicable provisions of the Code. Any amounts to be withheld from distribution on the regular interests would be refunded by the Internal Revenue Service or allowed as a credit against the Regular holder’s federal income tax liability.

### (4) Reporting Requirements

Reports of accrued interest, original issue discount and information necessary to compute the accrual of market discount will be made annually to the Internal Revenue Service and to individuals, estates, non-exempt and non-charitable trusts, and partnerships who are either holders of record of regular interests or beneficial owners who own regular interests through a broker or middleman as nominee. All brokers, nominees and all other non-exempt holders of record of regular interests (including corporations, non-calendar year taxpayers, securities or commodities dealers, real estate investment trusts, investment companies, common trust funds, thrift institutions and charitable trusts) may request that information for any calendar quarter by telephone or in writing by contacting the person designated in Internal Revenue Service Publication 938 (or its on-line equivalent, if any) for a particular series of regular interests. Holders through nominees must request the information from the nominee.

The Internal Revenue Service’s Form 1066 has an accompanying Schedule Q, Quarterly Notice to Residual Interest Holders of REMIC Taxable Income or Net Loss Allocation. Treasury regulations require that Schedule Q be furnished by the REMIC Pool to each Residual Securityholder by the end of the month following the close of each calendar quarter (41 days after the end of a quarter under proposed Treasury regulations) in which the REMIC Pool is in existence. Treasury regulations require that, in addition to the foregoing requirements, information must be furnished quarterly to Residual Securityholders, furnished annually, if applicable, to holders of regular interests, and filed annually with the Internal Revenue Service concerning Code Section 67 expenses (see “Limitations on Deduction of Certain Expenses” above) allocable to those holders. Furthermore, under these regulations, information must be furnished quarterly to Residual Securityholders, furnished annually to holders of regular interests, and filed annually with the Internal Revenue Service concerning the percentage of the REMIC Pool’s assets meeting the qualified asset tests described above under “— Characterization of Investments in REMIC Securities.”

Residual Securityholders should be aware that their responsibilities as holders of the residual interest in a REMIC Pool, including the duty to account for their shares of the REMIC Pool’s income or loss on their returns, continue for the life of the REMIC Pool, even after the principal and interest on their Residual Securities have been paid in full.

Treasury regulations provide that a Residual Securityholder is not required to treat items on its return consistently with their treatment on the REMIC Pool’s return if the holder owns 100% of the Residual Securities for the entire calendar year. Otherwise, each Residual Securityholder is required to treat items on its returns consistently with their treatment on the REMIC Pool’s return, unless the holder either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC Pool. The Internal Revenue Service may assess a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC Pool level. A REMIC Pool typically will not register as a tax shelter pursuant to Code Section 6111 because it generally will not have a net loss for any of the first five taxable years of its existence. Any person that holds a Residual Security as a nominee for another person may be required to furnish the related REMIC Pool, in a manner to be provided in Treasury regulations, with the name and address of that person and other specified information.

## FASITs

### *Classification of FASITs*

For each series of FASIT Securities, assuming compliance with all provisions of the related trust agreement, in the opinion of applicable Company Counsel, the related trust fund will qualify as a FASIT. A FASIT is any entity that (1) elects FASIT status, (2) satisfies certain requirements concerning the interests it issues (the “interests test”), and (3) satisfies certain requirements concerning the composition of its assets (the “asset test”). Any entity described in Section 851(a) of the Code (i.e., a regulated investment company), however, would not be eligible to elect FASIT status.

*The Interests Test.* All interests in a FASIT must be designated as either regular interests or as the ownership interest. A FASIT can have only one ownership interest and it must be held directly at all times by an “eligible corporation” (i.e., a domestic “C” corporation that is subject to tax and that is not a regulated investment company, a real estate investment trust, a REMIC, or a subchapter T cooperative). The ownership interest need not have any particular economic characteristics.

Generally, A FASIT regular interest is any interest issued by the FASIT on or after its startup day that is designated as such and that (1) unconditionally entitles the holder to receive a specified principal amount, (2) provides that interest payments, if any, be determined based on a fixed rate, or, except as otherwise provided in Treasury Regulations, which have not been promulgated, at a rate that would qualify as a variable rate under the REMIC regulations, (3) does not have a stated maturity date more than 30 years from the date of issuance, (4) does not have an issue price in excess of 125% of its stated principal amount, and (5) has a yield to maturity that is not greater than the appropriate applicable federal rate published by the IRS for the month of issue plus 5%. Certain FASIT interests, referred to as “high-yield interests,” will qualify as regular interests even though they do not satisfy the first, fourth, or fifth requirements set out above. Generally, high-yield interests must be held by eligible corporations.

*The Asset Test.* If the Trust Fund is to qualify as a FASIT, then as of the close of the third month following the date of its formation, and at all times thereafter, substantially all of its assets must be “permitted assets.” The term “permitted assets” is defined to include (1) cash and cash equivalents, (2) generally, any instrument that is classified as indebtedness for federal income tax purpose under which interest payments, if any, are payable at a fixed rate or a rate that would be a qualifying rate under the REMIC regulations for a REMIC regular interest, (3) foreclosure property, (4) certain hedging instruments (e.g., swap contracts, futures contracts, and guarantee arrangements) intended to hedge against the risks associated with being the obligor on FASIT interests, (5) contract rights to acquire debt instruments described in (2) above or hedges described in (4) above, and (6) any regular interest in a REMIC or in another FASIT. The term “permitted asset” does not, however, include any debt instrument, other than a cash equivalent, issued by the holder of the ownership interest or any person related to the holder.

If the trust fund fails to comply with one or more of the requirements for FASIT status during any taxable year, the trust fund may lose its FASIT status for that year and all years thereafter. If the trust fund were to lose its FASIT status, the trust fund could be taxable as a corporation.

### *Taxation of Owners of FASIT Regular Securities*

#### (1) General

Payments received by holders of FASIT Regular Securities generally will be accorded the same tax treatment under the Code as payments received on REMIC regular interests. Holders of FASIT Regular Securities must report income from these Securities under an accrual method of accounting, even if they otherwise would have used the cash receipts and disbursements method. Except in the case of FASIT Regular Securities issued with original issue discount, interest paid or accrued on a FASIT Regular Security generally will be treated as ordinary income to the Holder and a principal payment on the Security will be treated as a return of capital to the extent that the securityholder’s basis is allocable to that payment.

## (2) Original Issue Discount; Market Discount; Acquisition Premium

Holders of FASIT Regular Securities issued with original issue discount or acquired with market discount or acquisition premium generally will treat interest and principal payments on the Securities in the same manner described for REMIC regular interests. See “— REMICs — Taxation of Owners of REMIC Regular Interests” above.

## (3) Sale or Exchange

If the FASIT Regular Securities are sold, the holder generally will recognize gain or loss upon the sale in the manner described above for REMIC regular interests. See “— REMICs — Taxation of Owners of REMIC Regular Interests — Sale or Exchange of Regular Securities.”

### *Taxation of Owners of High-Yield Interests*

#### (1) General

The treatment of high-yield interests is intended to ensure that the return on instruments issued by a FASIT yielding an equity-like return continues to have a corporate level tax. High-yield interests are subject to special rules regarding the eligibility of holders of the interest, and the ability of the holders to offset income derived from their FASIT Security with losses.

High-yield interests may only be held by Eligible Corporations, other FASITs, and dealers in Securities who acquire these interests as inventory. If a securities dealer (other than an Eligible Corporation) initially acquires a high-yield interest as inventory, but later begins to hold it for investment, the dealer will be subject to an excise tax equal to the income from the high-yield interest multiplied by the highest corporate income tax rate. In addition, transfers of high-yield interests to disqualified holders will be disregarded for federal income tax purposes, and the transferor will continue to be treated as the holder of the high-yield interest.

#### (2) Treatment of Losses

The holder of a high-yield interest may not use non-FASIT current losses or net operating loss carryforwards or carrybacks to offset any income derived from the high-yield interest, for either regular federal income tax purposes or for alternative minimum tax purposes. In addition, the FASIT Provisions contain an anti-abuse rule that imposes corporate income tax on income derived from a FASIT regular interest that is held by a pass-through entity (other than another FASIT) that issues debt or equity securities backed by the FASIT regular interest and that have the same features as high-yield interests.

### *Taxation of FASIT Ownership Security*

#### (1) General

A FASIT Ownership Security represents the residual equity interest in a FASIT. The holder of a FASIT Ownership Security determines its taxable income by taking into account all assets, liabilities, and items of income, gain, deduction, loss, and credit of a FASIT. In general, the character of the income to the holder of a FASIT Ownership Security will be the same as the character of the income to the FASIT, except that any tax-exempt interest income taken into account by the holder of a FASIT Ownership Security is treated as ordinary income. In determining that taxable income, the holder of a FASIT Ownership Security must determine the amount of interest, original issue discount, market discount, and premium recognized with respect to the FASIT's assets and the FASIT Regular Securities issued by the FASIT according to a constant yield methodology and under an accrual method of accounting. In addition, a holder of a FASIT Ownership Security is subject to the same limitations on their ability to use losses to offset income from their FASIT Regular Securities as are holders of high-yield interest. See “— Taxation of Owners of High-Yield Interests” above.

Rules similar to the wash sale rules applicable to REMIC Residual Securities also will apply to FASIT Ownership Security. Accordingly, losses on dispositions of a FASIT Ownership Security generally will be

disallowed where within six months before or after the disposition, the seller of the Security acquires any other FASIT Ownership Security that is economically comparable to a FASIT Ownership Security.

## (2) Prohibited Transaction

The holder of a FASIT Ownership Security is required to pay a penalty excise tax equal to 100 percent of net income derived from:

- (1) an asset that is not a permitted asset;
- (2) any disposition of an asset other than a permitted disposition;
- (3) any income attributable to loans originated by the FASIT; and
- (4) compensation for services (other than fees for a waiver, amendment, or consent under permitted assets not acquired through foreclosure).

A permitted disposition is any disposition of any permitted asset:

- (1) arising from complete liquidation of a class of regular interest (*i.e.*, a qualified liquidation);
- (2) incident to the foreclosure, default (or imminent default) on an asset of the asset;
- (3) incident to the bankruptcy or insolvency of the FASIT;
- (4) necessary to avoid a default on any indebtedness of the FASIT attributable to a default (or imminent default) on an asset of the FASIT;
- (5) to facilitate a clean-up call;
- (6) to substitute a permitted debt instrument for another such instrument; or
- (7) in order to reduce over-collateralization where a principal purposes of the disposition was not to avoid recognition of gain arising from an increase in its market value after its acquisition by the FASIT.

A series of Securities for which a FASIT election is made generally will be structured in order to avoid application of the prohibited transactions tax.

## (3) Backup Withholding, Reporting and Tax Administration

Holders of FASIT Securities will be subject to backup withholding to the same extent as holders of REMIC Securities. In addition, for purposes of reporting and tax administration, holders of record of FASIT Securities generally will be treated in the same manner as holders of REMIC Securities. See “— REMICs” above.

### *Proposed FASIT Regulations*

The Treasury Department filed proposed regulations interpreting the FASIT Provisions (“proposed FASIT regulations”) with the Federal Register on Friday, February 4, 2000. The proposed FASIT regulations generally would be effective on the date they are issued as final regulations. Certain anti-abuse rules are, however, proposed to be effective on February 4, 2000. The proposed FASIT regulations would, among other things, provide procedures for making a FASIT election, refine the definition of certain terms used in the FASIT provisions, provide penalties that would apply upon cessation of FASIT status, provide rules for the tax treatment of transfers of assets to the FASIT, and establish anti-abuse rules to preclude use of the FASIT vehicle for a transaction that did not primarily concern the securitization of financial assets.

## Grantor Trust Funds

### *Classification of Grantor Trust Funds*

For each series of Grantor Trust Securities, assuming compliance with all provisions of the related Agreement, in the opinion of applicable Company Counsel, the related Grantor Trust Fund will be classified as trust under Treasury Regulation Section 301.7701-4(c) and not as a business entity taxable as a partnership or corporation, or a “taxable mortgage pool” within the meaning of Code Section 7701(i). Accordingly, each holder of a Grantor Trust Security generally will be treated as the beneficial owner of an undivided interest in the mortgage loans included in the Grantor Trust Fund.

### *Standard Securities*

#### (1) General

Where there is no Retained Interest or “excess” servicing for the mortgage loans underlying the Securities of a series, and where these Securities are not designated as “Stripped Securities,” the holder of each Security of that series (referred to herein as “Standard Securities”) will be treated as the owner of a *pro rata* undivided interest in the ordinary income and corpus portions of the Grantor Trust Fund represented by its Standard Security and will be considered the beneficial owner of a *pro rata* undivided interest in each of the mortgage loans, subject to the discussion below under “— Recharacterization of Servicing Fees.” Accordingly, the holder of a Standard Security of a particular series will be required to report on its federal income tax return its *pro rata* share of the entire income from the mortgage loans represented by its Standard Security, including interest at the coupon rate on those mortgage loans, original issue discount (if any), prepayment fees, assumption fees, and late payment charges received by the servicer, in accordance with that securityholder’s method of accounting. A securityholder generally will be able to deduct its share of the servicing fees and all administrative and other expenses of the trust fund in accordance with its method of accounting, provided that those amounts are reasonable compensation for services rendered to the Grantor Trust Fund.

However, investors who are individuals, estates or trusts who own Securities, either directly or indirectly through certain pass-through entities, will be subject to limitations for certain itemized deductions described in Code Section 67, including deductions under Code Section 212 for the servicing fees and all administrative and other expenses of the Grantor Trust Fund, to the extent that those deductions, in total, do not exceed two percent of an investor’s adjusted gross income. In addition, Code Section 68 provides that itemized deductions otherwise allowable for a taxable year of an individual taxpayer will be reduced by the lesser of (1) 3% of the excess, if any, of adjusted gross income over \$100,000 (\$50,000 in the case of a married individual filing a separate return) (in each case, as adjusted for post-1991 inflation), or (2) 80% of the amount of itemized deductions otherwise allowable for that year. This reduction is currently scheduled to be phased-out over a five year period beginning in 2006. As a result of the limitations set forth in Code Sections 67 and 68, those investors holding Standard Securities, directly or indirectly through a pass-through entity, may have total taxable income in excess of the total amount of cash received on the Standard Securities with respect to interest at the Interest Rate or as discount income on the Standard Securities. In addition, those expenses are not deductible at all for purposes of computing the alternative minimum tax, and may cause those investors to be subject to significant additional tax liability.

Holders of Standard Securities, particularly any class of a series that are Subordinate Securities, may incur losses of interest or principal with respect to the mortgage loans. Those losses would be deductible generally only as described above under “— REMICs — Taxation of Owners of REMIC Regular Interests — Treatment of Losses.”

## (2) Tax Status

For a series, in the opinion of applicable Company Counsel a Standard Security owned by a:

- “domestic building and loan association” within the meaning of Code Section 7701(a)(19) will be considered to represent “loans . . . secured by an interest in real property which is . . . residential real property” within the meaning of Code Section 7701(a)(19)(C)(v), provided that the real property securing the mortgage loans represented by that Standard Security is of the type described in that section of the Code.
- real estate investment trust will be considered to represent “real estate assets” within the meaning of Code Section 856(c)(4)(A) to the extent that the assets of the related Grantor Trust Fund consist of qualified assets, and the income on a Standard Security will be considered “interest on obligations secured by mortgages on real property” under Code section 856(c)(3)(B) in the same proportion that the income of the related Grantor Trust Fund is “interest on obligations secured by mortgages on real property” within the meaning of Code Section 856(c)(3)(B).
- REMIC will be considered to represent an “obligation (including any participation or certificate of beneficial ownership therein) which is principally secured by an interest in real property” within the meaning of Code Section 860G(a)(3)(A) to the extent that the assets of the related Grantor Trust Fund consist of “qualified mortgages” within the meaning of Code Section 860G(a)(3).

The depositor recommends that securityholders consult with their tax advisors as to the federal income tax treatment of premium and discount arising either upon initial acquisition of Standard Securities or thereafter.

*Premium.* The treatment of premium incurred upon the purchase of a Standard Security will be determined generally as described above under “— REMICs — Taxation of Owners of Residual Securities Premium.”

*Original Issue Discount.* The original issue discount rules of Code Section 1271 through 1275 will be applicable to a securityholder’s interest in those mortgage loans as to which the conditions for the application of those sections are met. Rules regarding periodic inclusion of original issue discount income generally are applicable to mortgages originated after March 2, 1984. The rules allowing for the amortization of premium are available for mortgage loans originated after September 27, 1985. Under the OID Regulations, original issue discount could arise by the charging of points by the originator of the mortgages in an amount greater than the statutory *de minimis* exception, including a payment of points that is currently deductible by the borrower under applicable Code provisions or, under some circumstances, by the presence of “teaser” rates on the mortgage loans. See “— Stripped Securities” below regarding original issue discount on Stripped Securities.

Original issue discount generally must be reported as ordinary gross income as it accrues under a constant interest method that takes into account the compounding of interest, in advance of the cash attributable to that income. No prepayment assumption will be assumed for purposes of that accrual except as set forth in the prospectus supplement. However, Code Section 1272 provides for a reduction in the amount of original issue discount includible in the income of a holder of an obligation that acquires the obligation after its initial issuance at a price greater than the sum of the original issue price and the previously accrued original issue discount, less prior payments of principal. Accordingly, if those mortgage loans acquired by a securityholder are purchased at a price equal to the then unpaid principal amount of those mortgage loans, no original issue discount attributable to the difference between the issue price and the original principal amount of those mortgage loans (*i.e.*, points) will be includible by that holder.

*Market Discount.* Securityholders also will be subject to the market discount rules to the extent that the conditions for application of those sections are met. Market discount on the mortgage loans will be determined and will be reported as ordinary income generally in the manner described above under “— REMICs — Taxation of Owners of REMIC Regular Interests — Market Discount,” except that the

ratable accrual methods described therein will not apply. Rather, the holder will accrue market discount *pro rata* over the life of the mortgage loans, unless the constant yield method is elected. No prepayment assumption will be assumed for purposes of that accrual except as set forth in the prospectus supplement.

### (3) Recharacterization of Servicing Fees

If the servicing fees paid to a servicer were deemed to exceed reasonable servicing compensation, the amount of that excess would represent neither income nor a deduction to securityholders. In this regard, there are no authoritative guidelines for federal income tax purposes as to either the maximum amount of servicing compensation that may be considered reasonable in the context of this or similar transactions or whether, in the case of Standard Securities, the reasonableness of servicing compensation should be determined on a weighted average or loan-by-loan basis. If a loan-by-loan basis is appropriate, the likelihood that the amount would exceed reasonable servicing compensation as to some of the mortgage loans would be increased. Internal Revenue Service guidance indicates that a servicing fee in excess of reasonable compensation (“excess servicing”) will cause the mortgage loans to be treated under the “stripped bond” rules. That guidance provides safe harbors for servicing deemed to be reasonable and requires taxpayers to demonstrate that the value of servicing fees in excess of those amounts is not greater than the value of the services provided.

Accordingly, if the Internal Revenue Service’s approach is upheld, a servicer who receives a servicing fee in excess of those amounts would be viewed as retaining an ownership interest in a portion of the interest payments on the mortgage loans. Under the rules of Code Section 1286, the separation of ownership of the right to receive some or all of the interest payments on an obligation from the right to receive some or all of the principal payments on the obligation would result in treatment of those mortgage loans as “stripped coupons” and “stripped bonds.” Subject to the de minimis rule discussed below under “— Stripped Securities,” each stripped bond or stripped coupon could be considered for this purpose as a non-interest bearing obligation issued on the date of issue of the Standard Securities, and the original issue discount rules of the Code would apply to the holder thereof. While securityholders would still be treated as owners of beneficial interests in a grantor trust for federal income tax purposes, the corpus of the trust could be viewed as excluding the portion of the mortgage loans the ownership of which is attributed to the servicer, or as including that portion as a second class of equitable interest. In general, that recharacterization should not have any significant effect upon the timing or amount of income reported by a securityholder, except that the income reported by a cash method holder may be slightly accelerated. See “— Stripped Securities” below for a further description of the federal income tax treatment of stripped bonds and stripped coupons.

### (4) Sale or Exchange of Standard Securities

Upon sale or exchange of a Standard Securities, a securityholder will recognize gain or loss equal to the difference between the amount realized on the sale and its total adjusted basis in the mortgage loans and other assets represented by the Security. In general, the total adjusted basis will equal the securityholder’s cost for the Standard Security, exclusive of accrued interest, increased by the amount of any income previously reported for the Standard Security and decreased by the amount of any losses previously reported for the Standard Security and the amount of any distributions (other than accrued interest) received thereon. Except as provided above with respect to market discount on any mortgage loans, and except for certain financial institutions subject to the provisions of Code Section 582(c), the gain or loss generally would be capital gain or loss if the Standard Security was held as a capital asset. However, gain on the sale of a Standard Security will be treated as ordinary income (1) if a Standard Security is held as part of a “conversion transaction” as defined in Code Section 1258(c), up to the amount of interest that would have accrued on the securityholder’s net investment in the conversion transaction at 120% of the appropriate applicable federal rate in effect at the time the taxpayer entered into the transaction minus any amount previously treated as ordinary income for any prior disposition of property that was held as part of that transaction or (2) in the case of a non-corporate taxpayer, to the extent that the taxpayer has made an election under Code Section 163(d)(4) to have net capital gains taxed as investment income at ordinary income rates. Long-term capital gains of certain non-corporate taxpayers generally are subject to a lower maximum tax rate than ordinary income or short-term capital gains of those taxpayers (39.6%) for property held for more than

one year. The maximum tax rate for corporations currently is the same for both ordinary income and capital gains.

### *Stripped Securities*

#### (1) General

Pursuant to Code Section 1286, the separation of ownership of the right to receive some or all of the principal payments on an obligation from ownership of the right to receive some or all of the interest payments results in the creation of “stripped bonds” for principal payments and “stripped coupons” for interest payments. For purposes of this discussion, Securities that are subject to those rules will be referred to as “Stripped Securities.” In the opinion of Company Counsel, the Securities will be subject to those rules if:

- the depositor or any of its affiliates retains (for its own account or for purposes of resale), in the form of retained interest or otherwise, an ownership interest in a portion of the payments on the mortgage loans;
- the depositor or any of its affiliates is treated as having an ownership interest in the mortgage loans to the extent it is paid (or retains) servicing compensation in an amount greater than reasonable consideration for servicing the mortgage loans (see “— Standard Securities — Recharacterization of Servicing Fees” above); and
- Securities are issued in two or more classes representing the right to non-pro-rata percentages of the interest and principal payments on the mortgage loans.

In general, a holder of a Stripped Security will be considered to own “stripped bonds” for its *pro rata* share of all or a portion of the principal payments on each mortgage loan and/or “stripped coupons” for its *pro rata* share of all or a portion of the interest payments on each mortgage loan, including the Stripped Security’s allocable share of the servicing fees paid to a servicer, to the extent that those fees represent reasonable compensation for services rendered. See the discussion above under “— Standard Securities — Recharacterization of Servicing Fees.” Although not free from doubt, for purposes of reporting to securityholders of Stripped Securities, the servicing fees will be allocated to the classes of Stripped Securities in proportion to the distributions to those classes for the related period or periods. The holder of a Stripped Security generally will be entitled to a deduction each year in respect of the servicing fees, as described above under “— Standard Securities — General,” subject to the limitation described therein.

Code Section 1286 treats a stripped bond or a stripped coupon generally as an obligation issued at an original issue discount on the date that the stripped interest is purchased. Although the treatment of Stripped Securities for federal income tax purposes is not clear in some respects, particularly where Stripped Securities are issued with respect to a pool of variable-rate mortgage loans, in the opinion of Company Counsel, (1) the Grantor Trust Fund will be treated as a trust under Treasury Regulation Section 301.7701-4(c) and not as a business entity taxable as a partnership or corporation or a “taxable mortgage pool” within the meaning of Code Section 7701(i), and (2) each Stripped Security should be treated as a single installment obligation for purposes of calculating original issue discount and gain or loss on disposition. This treatment is based on the interrelationship of Code Section 1286, Code Sections 1272 through 1275, and the OID Regulations. Although it is possible that computations for Stripped Securities could be made in one of the ways described below under “— Possible Alternative Characterizations,” the OID Regulations state, in general, that two or more debt instruments issued by a single issuer to a single investor in a single transaction should be treated as a single debt instrument. Accordingly, for original issue discount purposes, all payments on any Stripped Securities should be totaled and treated as though they were made on a single debt instrument. The trust agreement will require that the trustee make and report all computations described below using the approach described in this paragraph, unless substantial legal authority requires otherwise.

Furthermore, Treasury regulations provide for treatment of a Stripped Security as a single debt instrument issued on the date it is purchased for purposes of calculating any original issue discount. In addition, under these regulations, a Stripped Security that represents a right to payments of both interest and



principal may be viewed either as issued with original issue discount or market discount (as described below), at a *de minimis* original issue discount, or, presumably, at a premium. This treatment indicates that the interest component of that Stripped Security would be treated as qualified stated interest under the OID Regulations, assuming it is not an interest-only or super-premium Stripped Security. Further, these regulations provide that the purchaser of that Stripped Security will be required to account for any discount as market discount rather than original issue discount if either (1) the initial discount for the Stripped Security was treated as zero under the *de minimis* rule, or (2) no more than 100 basis points in excess of reasonable servicing is stripped off the related mortgage loans. That market discount would be reportable as described above under “— REMICs — Taxation of Owners of REMIC Regular Interests — Market Discount,” without regard to the *de minimis* rule therein, assuming that a prepayment assumption is employed in that computation.

The holder of a Stripped Security will be treated as owning an interest in each of the mortgage loans held by the Grantor Trust Fund and will recognize an appropriate share of the income and expenses associated with the mortgage loans. Accordingly, an individual, trust or estate that holds a Stripped Security directly or through a pass-through entity will be subject to the limitations on deductions imposed by Code Sections 67 and 68 as described above.

A holder of a Stripped Security, particularly any Stripped Security that is a Subordinate Security, may deduct losses incurred for the Stripped Security as described above under “— Standard Securities General.”

## (2) Status of Stripped Securities

No specific legal authority exists as to whether the character of the Stripped Securities, for federal income tax purposes, will be the same as that of the mortgage loans. Although the issue is not free from doubt, in the opinion of Company Counsel, Stripped Securities owned by applicable holders should be considered to represent “real estate assets” within the meaning of Code Section 856(c)(4)(A), “obligation [ s ] principally secured by an interest in real property which is residential real estate” within the meaning of Code Section 860G(a)(3)(A), and “loans secured by an interest in real property” within the meaning of Code Section 7701(a)(19)(C)(v), and interest (including original issue discount) income attributable to Stripped Securities should be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of Code Section 856(c)(3)(B), provided that in each case the mortgage loans and interest on those mortgage loans qualify for that treatment. See “— Standard Securities — Tax Status” above.

## (3) Taxation of Stripped Securities

*Original Issue Discount.* Except as described above, each Stripped Security will be considered to have been issued at an original issue discount for federal income tax purposes. Original issue discount for a Stripped Security must be included in ordinary income as it accrues, in accordance with a constant yield method that takes into account the compounding of interest, which may be before the receipt of the cash attributable to that income. Based in part on the issue discount required to be included in the income of a holder of a Stripped Security in any taxable year likely will be computed generally as described above under “— REMICs — Taxation of Owners of REMIC Regular Interests — Original Issue Discount” and “— Variable Rate Regular Securities.” However, with the apparent exception of a Stripped Security qualifying as a market discount obligation as described above, the issue price of a Stripped Security will be the purchase price paid by each holder thereof, and the stated redemption price at maturity will include the total amount of the payments to be made on the Stripped Security to that securityholder, presumably under the prepayment assumption, other than qualified stated interest.

If the mortgage loans prepay at a rate either faster or slower than that under the prepayment assumption, a securityholder’s recognition of original issue discount will be either accelerated or decelerated and the amount of that original issue discount will be either increased or decreased depending on the relative interests in principal and interest on each mortgage loan represented by that securityholder’s Stripped Security. While the matter is not free from doubt, the holder of a Stripped Security should be entitled in the year that it becomes certain (assuming no further prepayments) that the holder will not recover a portion of its adjusted

basis in the Stripped Security to recognize a loss (which may be a capital loss) equal to that portion of unrecoverable basis.

*Sale or Exchange of Stripped Securities.* Sale or exchange of a Stripped Security before its maturity will result in gain or loss equal to the difference, if any, between the amount received and the securityholder's adjusted basis in that Stripped Security, as described above under "— REMICs — Taxation of Owners of REMIC Regular Interests — Sale or Exchange of Regular Securities." Gain or loss from the sale or exchange of a Stripped Security generally will be capital gain or loss to the securityholder if the Stripped Security is held as a "capital asset" within the meaning of Code Section 1221, and will be long-term or short-term depending on whether the Stripped Security has been held for the long-term capital gain holding period (currently, more than one year). To the extent that a subsequent purchaser's purchase price is exceeded by the remaining payments on the Stripped Securities, the subsequent purchaser will be required for federal income tax purposes to accrue and report that excess as if it were original issue discount in the manner described above. It is not clear for this purpose whether the assumed prepayment rate that is to be used in the case of a securityholder other than an original securityholder should be the prepayment assumption or a new rate based on the circumstances at the date of subsequent purchase.

*Purchase of More Than One Class of Stripped Securities.* When an investor purchases more than one class of Stripped Securities, it is currently unclear whether for federal income tax purposes those classes of Stripped Securities should be treated separately or aggregated for purposes of the rules described above.

*Possible Alternative Characterization.* The characterizations of the Stripped Securities discussed above are not the only possible interpretations of the applicable Code provisions. For example, the securityholder may be treated as the owner of

- (1) one installment obligation consisting of the Stripped Security's *pro rata* share of the payments attributable to principal on each mortgage loan and a second installment obligation consisting of the Stripped Security's *pro rata* share of the payments attributable to interest on each mortgage loan;
- (2) as many stripped bonds or stripped coupons as there are scheduled payments of principal and/or interest on each mortgage loan; or
- (3) a separate installment obligation for each mortgage loan, representing the Stripped Security's *pro rata* share of payments of principal and/or interest to be made with respect thereto.

Alternatively, the holder of one or more classes of Stripped Securities may be treated as the owner of a *pro rata* fractional undivided interest in each mortgage loan to the extent that a Stripped Security, or classes of Stripped Securities, represents the same *pro rata* portion of principal and interest on each mortgage loan, and a stripped bond or stripped coupon (as the case may be), treated as an installment obligation or contingent payment obligation, as to the remainder. Treasury regulations regarding original issue discount on stripped obligations make the foregoing interpretations less likely to be applicable. The preamble to these regulations states that they are premised on the assumption that an aggregation approach is appropriate for determining whether original issue discount on a stripped bond or stripped coupon is *de minimis*, and solicits comments on appropriate rules for aggregating stripped bonds and stripped coupons under Code Section 1286.

Because of these possible varying characterizations of Stripped Securities and the resultant differing treatment of income recognition, securityholders are urged to consult their own tax advisors regarding the proper treatment of Stripped Securities for federal income tax purposes.

#### *Reporting Requirements and Backup Withholding*

The trustee will furnish, within a reasonable time after the end of each calendar year, to each securityholder at any time during that year, information (prepared on the basis described above) necessary to enable the securityholder to prepare its federal income tax returns. This information will include the amount of original issue discount accrued on Securities held by persons other than securityholders exempted from the reporting requirements. However, the amount required to be reported by the trustee may not be equal to the

proper amount of original issue discount required to be reported as taxable income by a securityholder, other than an original securityholder who purchased at the issue price. In particular, in the case of Stripped Securities, the reporting will be based upon a representative initial offering price of each class of Stripped Securities except as set forth in the prospectus supplement. The trustee will also file the original issue discount information with the Internal Revenue Service. If a securityholder fails to supply an accurate taxpayer identification number or if the Secretary of the Treasury determines that a Securityholder has not reported all interest and dividend income required to be shown on his federal income tax return, backup withholding may be required in respect of any reportable payments, as described above under “— REMICs — Backup Withholding.”

#### *Taxation of Certain Foreign Investors*

To the extent that a Security evidences ownership in mortgage loans that are issued on or before July 18, 1984, interest or original issue discount paid by the person required to withhold tax under Code Section 1441 or 1442 to nonresident aliens, foreign corporations, or other Non-U.S. persons generally will be subject to 30% United States withholding tax, or any applicable lower rate as may be provided for interest by an applicable tax treaty. Accrued original issue discount recognized by the securityholder on the sale or exchange of that Security also will be subject to federal income tax at the same rate.

Treasury regulations provide, however, that interest or original issue discount paid by the trustee or other withholding agent to a Non-U.S. Person evidencing ownership interest in mortgage loans issued after July 18, 1984 will be “portfolio interest” and will be treated in the manner, and these persons will be subject to the same certification requirements, described above under “— REMICs — Taxation of Certain Foreign Investors — Regular Securities.”

### **Partnership Trust Funds & Debt Securities**

#### *Classification of Partnership Trust Funds and Debt Securities*

For each series of Partnership Securities or Debt Securities, the applicable Company Counsel will deliver its opinion that the trust fund will not be a taxable mortgage pool or an association (or publicly traded partnership) taxable as a corporation for federal income tax purposes. This opinion will be based on the assumption that the terms of the related Agreement and related documents will be complied with, and on counsel’s opinion that the nature of the income of the trust fund will exempt it from the rule that certain publicly traded partnerships are taxable as corporations.

#### *Characterization of Investments in Partnership Securities and Debt Securities*

For federal income tax purposes, (1) Partnership Securities and Debt Securities held by a thrift institution taxed as a domestic building and loan association will not constitute “loans secured by an interest in real property which is residual real property” within the meaning of Code Section 7701(a)(19)(C)(v) and (2) interest on Debt Securities held by a real estate investment trust will not be treated as “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B), and Debt Securities held by a real estate investment trust will not constitute “real estate assets” within the meaning of Code Section 856(c)(4)(A), but Partnership Securities held by a real estate investment trust will qualify under those sections based on the real estate investments trust’s proportionate interest in the assets of the Partnership Trust Fund based on capital accounts.

#### *Taxation of Debt Securityholders*

The depositor will agree, and the securityholders will agree by their purchase of Debt Securities, to treat the Debt Securities as debt for federal income tax purposes. No regulations, published rulings, or judicial decisions exist that discuss the characterization for federal income tax purposes of Securities with terms substantially the same as the Debt Securities. However, for each series of Debt Securities, the applicable Company Counsel will deliver its opinion that the Debt Securities will be classified as indebtedness for

federal income tax purposes. The discussion below assumes this characterization of the Debt Securities is correct.

If, contrary to the opinion of counsel, the Internal Revenue Service successfully asserted that the Debt Securities were not debt for federal income tax purposes, the Debt Securities might be treated as equity interests in the Partnership Trust, and the timing and amount of income allocable to holders of those Debt Securities may be different than as described in the following paragraph.

Debt Securities generally will be subject to the same rules of taxation as Regular Securities issued by a REMIC, as described above, except that (1) income reportable on Debt Securities is not required to be reported under the accrual method unless the holder otherwise uses the accrual method and (2) the special rule treating a portion of the gain on sale or exchange of a Regular Security as ordinary income is inapplicable to Debt Securities. See “— REMICs — Taxation of Owners of REMIC Regular Interests” and “— Sale or Exchange of Regular Securities.”

#### *Taxation of Owners of Partnership Securities*

##### **(1) Treatment of the Partnership Trust Fund as a Partnership**

If specified in the prospectus supplement, the depositor will agree, and the securityholders will agree by their purchase of Securities, to treat the Partnership Trust Fund as a partnership for purposes of federal and state income tax, franchise tax and any other tax measured in whole or in part by income, with the assets of the partnership being the assets held by the Partnership Trust Fund, the partners of the partnership being the securityholders (including the depositor), and the Debt Securities (if any) being debt of the partnership. However, the proper characterization of the arrangement involving the Partnership Trust Fund, the Partnership Securities, the Debt Securities, and the depositor is not clear, because there is no authority on transactions closely comparable to that contemplated herein.

A variety of alternative characterizations are possible. For example, because one or more of the classes of Partnership Securities have some features characteristic of debt, the Partnership Securities might be considered debt of the depositor or the Partnership Trust Fund. This characterization would not result in materially adverse tax consequences to securityholders as compared to the consequences from treatment of the Partnership Securities as equity in a partnership, described below. The following discussion assumes that the Partnership Securities represent equity interests in a partnership.

##### **(2) Partnership Taxation**

As a partnership, the Partnership Trust Fund will not be subject to federal income tax. Rather, each securityholder will be required to separately take into account that holder's allocated share of income, gains, losses, deductions and credits of the Partnership Trust Fund. It is anticipated that the Partnership Trust Fund's income will consist primarily of interest earned on the mortgage loans (including appropriate adjustments for market discount, original issue discount and bond premium) as described above under “— Grantor Trust Funds — Standard Securities — General,” and “— Premium and Discount” and any gain upon collection or disposition of mortgage loans. The Partnership Trust Fund's deductions will consist primarily of interest accruing with respect to the Debt Securities, servicing and other fees, and losses or deductions upon collection or disposition of Debt Securities.

The tax items of a partnership are allocable to the partners in accordance with the Code, Treasury regulations and the partnership agreement (here, the trust agreement and related documents). The trust agreement will provide, in general, that the securityholders will be allocated taxable income of the Partnership Trust Fund for each period equal to the sum of:

- (1) the interest that accrues on the Partnership Securities in accordance with their terms for that Due Period, including interest accruing at the applicable Interest Rate for that Due Period and interest on amounts previously due on the Partnership Securities but not yet distributed;

(2) any Partnership Trust Fund income attributable to discount on the mortgage loans that corresponds to any excess of the principal amount of the Partnership Securities over their initial issue price; and

(3) any other amounts of income payable to the securityholders for that period.

This allocation will be reduced by any amortization by the Partnership Trust Fund of premium on mortgage loans that corresponds to any excess of the issue price of Partnership Securities over their principal amount. All remaining taxable income of the Partnership Trust Fund will be allocated to the depositor. Based on the economic arrangement of the parties, this approach for allocating Partnership Trust Fund income should be permissible under applicable Treasury regulations, although no assurance can be given that the Internal Revenue Service would not require a greater amount of income to be allocated to securityholders. Moreover, even under the foregoing method of allocation, securityholders may be allocated income equal to the entire Interest Rate plus the other items described above even though the trust fund might not have sufficient cash to make current cash distributions of that amount. Thus, cash basis holders will in effect be required to report income from the Partnership Securities on the accrual basis and securityholders may become liable for taxes on Partnership Trust Fund income even if they have not received cash from the Partnership Trust Fund to pay those taxes.

Part or all of the taxable income allocated to a securityholder that is a pension, profit sharing or employee benefit plan or other tax-exempt entity (including an individual retirement account) may constitute “unrelated business taxable income” generally taxable to that holder under the Code.

A share of expenses of the Partnership Trust Fund (including fees of the master servicer but not interest expense) allocable to an individual, estate or trust securityholder would be miscellaneous itemized deductions subject to the limitations described above under “— Grantor Trust Funds — Standard Securities — General.” Accordingly, those deductions might be disallowed to the individual in whole or in part and might result in that holder being taxed on an amount of income that exceeds the amount of cash actually distributed to that holder over the life of the Partnership Trust Fund.

Discount income or premium amortization for each mortgage loan would be calculated in a manner similar to the description above under “— Grantor Trust Funds — Standard Securities — General” and “— Premium and Discount.” Notwithstanding that description, it is intended that the Partnership Trust Fund will make all tax calculations relating to income and allocations to securityholders on a total basis for all mortgage loans held by the Partnership Trust Fund rather than on a mortgage loan-by-mortgage loan basis. If the Internal Revenue Service were to require that these calculations be made separately for each mortgage loan, the Partnership Trust Fund might be required to incur additional expense, but it is believed that there would not be a material adverse effect on securityholders.

### (3) Discount and Premium

It is not anticipated that the mortgage loans will have been issued with original issue discount and, therefore, the Partnership Trust Fund should not have original issue discount income. However, the purchase price paid by the Partnership Trust Fund for the mortgage loans may be greater or less than the remaining principal balance of the mortgage loans at the time of purchase. If so, the mortgage loans will have been acquired at a premium or discount, as the case may be. See “— Grantor Trust Funds — Standard Securities.” (As indicated above, the Partnership Trust Fund will make this calculation on a total basis, but might be required to recompute it on a mortgage loan-by-mortgage loan basis.)

If the Partnership Trust Fund acquires the mortgage loans at a market discount or premium, the Partnership Trust Fund will elect to include that discount in income currently as it accrues over the life of the mortgage loans or to offset that premium against interest income on the mortgage loans. As indicated above, a portion of that market discount income or premium deduction may be allocated to securityholders.

#### (4) Section 708 Termination

Under Section 708 of the Code, the Partnership Trust Fund will be deemed to terminate for federal income tax purposes if 50% or more of the capital and profits interests in the Partnership Trust Fund are sold or exchanged within a 12-month period. If that termination occurs, it would cause a deemed contribution of the assets of a Partnership Trust Fund (the “old partnership”) to a new Partnership Trust Fund (the “new partnership”) in exchange for interests in the new partnership. Those interests would be deemed distributed to the partners of the old partnership in liquidation thereof, which would not constitute a sale or exchange. The Partnership Trust Fund will not comply with certain technical requirements that might apply when the constructive termination occurs. As a result, the Partnership Trust Fund may be subject to certain tax penalties and may incur additional expenses if it is required to comply with those requirements. Furthermore, the Partnership Trust Fund might not be able to comply due to lack of data.

#### (5) Disposition of Securities

Generally, capital gain or loss will be recognized on a sale of Partnership Securities in an amount equal to the difference between the amount realized and the seller’s tax basis in the Partnership Securities sold. A securityholder’s tax basis in a Partnership Security will generally equal the holder’s cost increased by the holder’s share of Partnership Trust Fund income (includible in income) and decreased by any distributions received with respect to that Partnership Security. In addition, both the tax basis in the Partnership Securities and the amount realized on a sale of an Partnership Security would include the holder’s share of the Debt Securities and other liabilities of the Partnership Trust Fund. A holder acquiring Partnership Securities at different prices may be required to maintain a single total adjusted tax basis in those Partnership Securities, and, upon sale or other disposition of some of the Partnership Securities, allocate a portion of that total tax basis to the Partnership Securities sold (rather than maintaining a separate tax basis in each Partnership Security for purposes of computing gain or loss on a sale of that Partnership Security).

Any gain on the sale of an Partnership Security attributable to the holder’s share of unrecognized accrued market discount on the mortgage loans would generally be treated as ordinary income to the holder and would give rise to special tax reporting requirements. The Partnership Trust Fund does not expect to have any other assets that would give rise to those special reporting considerations. Thus, to avoid those special reporting requirements, the Partnership Trust Fund will elect to include market discount in income as it accrues.

If a securityholder is required to recognize a total amount of income (not including income attributable to disallowed itemized deductions described above) over the life of the Partnership Securities that exceeds the total cash distributions with respect thereto, that excess will generally give rise to a capital loss upon the retirement of the Partnership Securities.

#### (6) Allocations Between Transferors and Transferees

In general, the Partnership Trust Fund’s taxable income and losses will be determined each Due Period and the tax items for a particular Due Period will be apportioned among the securityholders in proportion to the principal amount of Partnership Securities owned by them as of the close of the last day of that Due Period. As a result, a holder purchasing Partnership Securities may be allocated tax items (which will affect its tax liability and tax basis) attributable to periods before the actual transaction.

The use of a Due Period convention may not be permitted by existing regulations. If a Due Period convention is not allowed (or only applies to transfers of less than all of the partner’s interest), taxable income or losses of the Partnership Trust Fund might be reallocated among the securityholders. The depositor will be authorized to revise the Partnership Trust Fund’s method of allocation between transferors and transferees to conform to a method permitted by future regulations.

#### (7) Section 731 Distributions

In the case of any distribution to a securityholder, no gain will be recognized to that securityholder to the extent that the amount of any money distributed for that Security exceeds the adjusted basis of that securityholder's interest in the Security. To the extent that the amount of money distributed exceeds that securityholder's adjusted basis, gain will be currently recognized. In the case of any distribution to a securityholder, no loss will be recognized except upon a distribution in liquidation of a securityholder's interest. Any gain or loss recognized by a securityholder will be capital gain or loss.

#### (8) Section 754 Election

If a securityholder sells its Partnership Securities at a profit (loss), the purchasing securityholder will have a higher (lower) basis in the Partnership Securities than the selling securityholder had. The tax basis of the Partnership Trust Fund's assets would not be adjusted to reflect that higher (or lower) basis unless the Partnership Trust Fund were to file an election under Section 754 of the Code. To avoid the administrative complexities that would be involved in keeping accurate accounting records, as well as potentially onerous information reporting requirements, the Partnership Trust Fund will not make that election. As a result, a securityholder might be allocated a greater or lesser amount of Partnership Trust Fund income than would be appropriate based on their own purchase price for Partnership Securities.

#### (9) Administrative Matters

The trustee is required to keep or have kept complete and accurate books of the Partnership Trust Fund. These books will be maintained for financial reporting and tax purposes on an accrual basis and the fiscal year of the Partnership Trust Fund will be the calendar year. The trustee will file a partnership information return (Form 1065) with the Internal Revenue Service for each taxable year of the Partnership Trust Fund and will report each securityholder's allocable share of items of Partnership Trust Fund income and expense to holders and the Internal Revenue Service on Schedule K-1. The trustee will provide the Schedule K-1 information to nominees that fail to provide the Partnership Trust Fund with the information statement described below and these nominees will be required to forward that information to the beneficial owners of the Partnership Securities. Generally, holders must file tax returns that are consistent with the information return filed by the Partnership Trust Fund or be subject to penalties unless the holder notifies the Internal Revenue Service of all those inconsistencies.

Under Section 6031 of the Code, any person that holds Partnership Securities as a nominee at any time during a calendar year is required to furnish the Partnership Trust Fund with a statement containing certain information on the nominee, the beneficial owners and the Partnership Securities so held. This information includes (1) the name, address and taxpayer identification number of the nominee and (2) as to each beneficial owner (a) the name, address and identification number of that person, (b) whether that person is a United States person, a tax-exempt entity or a foreign government, an international organization, or any wholly-owned agency or instrumentality of either of the foregoing, and (c) certain information on Partnership Securities that were held, bought or sold on behalf of that person throughout the year. In addition, brokers and financial institutions that hold Partnership Securities through a nominee are required to furnish directly to the trustee information as to themselves and their ownership of Partnership Securities. A clearing agency registered under Section 17A of the Exchange Act is not required to furnish that information statement to the Partnership Trust Fund. The information referred to above for any calendar year must be furnished to the Partnership Trust Fund on or before the following January 31. Nominees, brokers and financial institutions that fail to provide the Partnership Trust Fund with the information described above may be subject to penalties.

Unless another designation is made, the depositor will be designated as the tax matters partner in the trust agreement and, as the tax matters partner, will be responsible for representing the securityholders in any dispute with the Internal Revenue Service. The Code provides for administrative examination of a partnership as if the partnership were a separate and distinct taxpayer. Generally, the statute of limitations for partnership items does not expire until three years after the date on which the partnership information return is filed. Any

adverse determination following an audit of the return of the Partnership Trust Fund by the appropriate taxing authorities could result in an adjustment of the returns of the securityholders, and, under certain circumstances, a securityholder may be precluded from separately litigating a proposed adjustment to the items of the Partnership Trust Fund. An adjustment could also result in an audit of a securityholder's returns and adjustments of items not related to the income and losses of the Partnership Trust Fund.

#### *Tax Consequences to Foreign Securityholders*

It is not clear whether the Partnership Trust Fund would be considered to be engaged in a trade or business in the United States for purposes of federal withholding taxes with respect to Non-U.S. Persons, because there is no clear authority dealing with that issue under facts substantially similar to those described herein. Although it is not expected that the Partnership Trust Fund would be engaged in a trade or business in the United States for those purposes, the Partnership Trust Fund will withhold as if it were so engaged to protect the Partnership Trust Fund from possible adverse consequences of a failure to withhold. The Partnership Trust Fund expects to withhold on the portion of its taxable income that is allocable to securityholders who are Non-U.S. Persons pursuant to Section 1446 of the Code, as if that income were effectively connected to a U.S. trade or business. Amounts withheld will be deemed distributed to the Non-U.S. Person securityholders. Subsequent adoption of Treasury regulations or the issuance of other administrative pronouncements may require the Partnership Trust Fund to change its withholding procedures. In determining a holder's withholding status, the Partnership Trust Fund may rely on Form W-8BBN, Form W-9 or the holder's certification of nonforeign status signed under penalties of perjury or other appropriate certification.

Each Non-U.S. Person holder might be required to file a U.S. individual or corporate income tax return (including, in the case of a corporation, the branch profits tax) on its share of the Partnership Trust Fund's income. Each Non-U.S. Person holder must obtain a taxpayer identification number from the Internal Revenue Service and submit that number to the Partnership Trust Fund on Form W-8BBN (or other appropriate certification) to assure appropriate crediting of the taxes withheld. A Non-U.S. Person holder generally would be entitled to file with the Internal Revenue Service a claim for refund for taxes withheld by the Partnership Trust Fund, taking the position that no taxes were due because the Partnership Trust Fund was not engaged in a U.S. trade or business. However, interest payments made (or accrued) to a securityholder who is a Non-U.S. Person generally will be considered guaranteed payments to the extent that those payments are determined without regard to the income of the Partnership Trust Fund. If these interest payments are properly characterized as guaranteed payments, then the interest may not be considered "portfolio interest." As a result, securityholders who are Non-U.S. Persons may be subject to United States federal income tax and withholding tax at a rate of 30%, unless reduced or eliminated pursuant to an applicable treaty. In that case, a Non-U.S. Person holder would only be entitled to claim a refund for that portion of the taxes in excess of the taxes that should be withheld for the guaranteed payments.

#### *Backup Withholding*

Distributions made on the Partnership Securities and proceeds from the sale of the Partnership Securities will be subject to a "backup" withholding tax if, in general, the securityholder fails to comply with certain identification procedures, unless the holder is an exempt recipient under applicable provisions of the Code.



## State Tax Considerations

In addition to the federal income tax consequences described in “Material Federal Income Tax Considerations,” potential investors should consider the state income tax consequences of the acquisition, ownership, and disposition of the Securities. State and local income tax law may differ substantially from the corresponding federal law, and this discussion does not purport to describe any aspect of the income tax laws of any state or locality. Therefore, potential investors should consult their own tax advisors with respect to the various state and local tax consequences of investment in the Notes or Certificates. In particular, potential investors in Residual Interest Certificates should consult their tax advisers regarding the taxation of the Residual Interest Certificates in general and the effect of foreclosure on the Mortgaged Properties on such taxation.

## ERISA Considerations

### General

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain requirements in connection with the investment of plan assets on employee benefit plans and on certain other retirement plans and arrangements, including individual retirement accounts and annuities, Keogh plans and collective investment funds and separate accounts in which these plans, accounts or arrangements are invested, that are subject to Title I of ERISA or to Section 4975 of the Code (“Plans”) and on persons who are fiduciaries for those Plans. Some employee benefit plans, such as governmental plans (as defined in ERISA Section 3(32)) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Therefore, assets of these plans may be invested in Securities without regard to the ERISA considerations described below, subject to the provisions of other applicable federal, state and local law. Any of these plans that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code, however, is subject to the prohibited transaction rules set forth in Section 503 of the Code.

ERISA generally imposes on Plan fiduciaries certain general fiduciary requirements, including those of investment prudence and diversification and the requirement that a Plan’s investments be made in accordance with the documents governing the Plan. In addition, ERISA and the Code prohibit a broad range of transactions involving assets of a Plan and persons (“Parties in Interest”) who have certain specified relationships to the Plan unless a statutory, regulatory or administrative exemption is available. Certain Parties in Interest that participate in a prohibited transaction may be subject to an excise tax imposed pursuant to Section 4975 of the Code, unless a statutory, regulatory or administrative exemption is available. These prohibited transactions generally are set forth in Sections 406 and 407 of ERISA and Section 4975 of the Code.

A Plan’s investment in Securities may cause the Primary Assets and other assets included in a related trust fund to be deemed Plan assets. Section 2510.3-101 of the regulations of the United States Department of Labor (“DOL”) provides that when a Plan acquires an equity interest in an entity, the Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless certain exceptions not applicable here apply, or unless the equity participation in the entity by “benefit plan investors” (*i.e.*, Plans, employee benefit plans not subject to ERISA, and entities whose underlying assets include plan assets by reason of a Plan’s investment in the entity) is not “significant,” both as defined therein. For this purpose, in general, equity participation by benefit plan investors will be “significant” on any date if 25% or more of the value of any class of equity interests in the entity is held by benefit plan investors. To the extent the Securities are treated as equity interests for purposes of DOL regulations Section 2510.3-101, equity participation in a trust fund will be significant on any date if immediately after the most recent acquisition of any Security, 25% or more of any class of Securities is held by benefit plan investors.

Any person who has discretionary authority or control respecting the management or disposition of assets of a Plan, and any person who provides investment advice for those assets for a fee, is a fiduciary of the Plan. If the Primary Assets and other assets included in a trust fund constitute plan assets of an investing Plan, then any party exercising management or discretionary control regarding those assets, such as the

servicer or master servicer, may be deemed to be a “fiduciary” of the Plan and thus subject to the fiduciary responsibility provisions and prohibited transaction provisions of ERISA and the Code with respect to the investing Plan. In addition, if the Primary Assets and other assets included in a trust fund constitute plan assets, the purchase of Securities by a Party in Interest of the Plan, as well as the operation of the trust fund, may constitute or involve a prohibited transaction under ERISA and the Code.

The DOL issued an individual exemption to Lehman Brothers Inc. (Prohibited Transaction Exemption (“PTE”) 91-14 et al.; Exemption Application No. D-7958 et al., 56 Fed. Reg. 7413 (1991) as amended by PTE 97-34, Exemption Application No. D-10245 and D-10246, 62 Fed. Reg. 39021 (1997) and PTE 2000-58, Exemption Application No. D-10829, 65 Fed. Reg. 67765 (2000)) (the “Exemption”) that generally exempts from the application of the prohibited transaction provisions of Sections 406(a) and 407(a) of ERISA, and the excise taxes imposed on those prohibited transactions pursuant to Section 4975(a) and (b) of the Code, certain transactions relating to the servicing and operation of mortgage pools and the purchase, sale and holding of Securities underwritten by an underwriter, as defined below, that (1) represent a beneficial ownership interest in the assets of an issuer which is a trust and entitle the holder to pass-through payments of principal, interest and/or other payments made with respect to the assets of the trust fund or (2) are denominated as a debt instrument and represent an interest in the issuer, provided that certain conditions set forth in the Exemption are satisfied.

For purposes of this Section “ERISA Considerations,” the term “underwriter” will include (a) Lehman Brothers Inc., (b) any person directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Lehman Brothers Inc., and (c) any member of the underwriting syndicate or selling group of which a person described in (a) or (b) is a manager or co-manager for a class of Securities.

The Exemption sets forth several general conditions that must be satisfied for a transaction involving the purchase, sale and holding of Securities to be eligible for exemptive relief thereunder:

- The acquisition of Securities by a Plan must be on terms (including the price for the Securities) that are at least as favorable to the Plan as they would be in an arm’s-length transaction with an unrelated party;
- Unless the investment pool contains only certain types of assets, such as mortgage loans fully secured by real property (a “Designated Transaction”), the Exemption only applies to Securities evidencing rights and interests not subordinated to the rights and interests evidenced by the other Securities of the trust fund; provided, that the Exemption will apply to Securities reflecting mortgage loans with loan-to-value ratios in excess of 100% if the rights and interests are not subordinated and are rated in either of the two highest generic rating categories;
- The Securities at the time of acquisition by the Plan must be rated in one of the three highest generic rating categories (four, in a Designated Transaction) by Standard & Poor’s a division of The McGraw-Hill Companies, Inc. (“S&P”), Moody’s Investors Service, Inc. (“Moody’s”) or Fitch Ratings (“Fitch”) (each, a “Rating Agency”);
- The trustee may not be an affiliate of any other member of the Restricted Group, as defined below;
- The sum of all payments made to and retained by the underwriter(s) must represent not more than reasonable compensation for underwriting the Securities; the sum of all payments made to and retained by the depositor pursuant to the assignment of the assets to the issuer must represent not more than the fair market value of those obligations; and the sum of all payments made to and retained by the master servicer and any other servicer must represent not more than reasonable compensation for that person’s services under the related Agreement and reimbursement of that person’s reasonable expenses in connection therewith;
- The Plan investing in the Securities must be an accredited investor as defined in Rule 501(a)(1) of Regulation D of the Commission under the Securities Act of 1933, as amended;
- For certain types of issuers, the documents establishing the issuer and governing the transaction must contain provisions intended to protect the assets of the issuer from creditors of the seller.

Moreover, the Exemption provides relief from certain self-dealing/conflict of interest prohibited transactions that may arise under Sections 406(b)(1) and 406(b)(2) of ERISA (as well as from the excise taxes imposed by Sections 4975(a) and 4975(b) of the Code, by reason of Section 4975(c)(1)(E) of the Code) when a fiduciary causes a Plan to invest in an issuer that holds obligations on which the fiduciary (or its affiliate) is an obligor only if, among other requirements: (1) the fiduciary (or its affiliate) is an obligor with respect to no more than five percent of the fair market value of the obligations contained in the trust fund; (2) the Plan's investment in each class of Securities does not exceed twenty-five percent of all of the Securities of that class outstanding at the time of the acquisition and (3) immediately after the acquisition, no more than twenty-five percent of the assets of any Plan for which the fiduciary serves as a fiduciary are invested in securities representing an interest in one or more trusts containing assets sold or serviced by the same entity; (4) in the case of an acquisition of Securities in connection with their initial issuance, at least 50% of each class of Securities in which Plans have invested and at least 50% of the aggregate interest in the issuer is acquired by persons independent of the Restricted Group; and (5) the Plan is not an Excluded Plan. An "Excluded Plan" is one that is sponsored by a member of the Restricted Group, which consists of the trustee, each underwriter, any insurer of the issuer, the sponsor, each servicer, any obligor with respect to obligations included in the issuer constituting more than 5 percent of the aggregate unamortized principal balance of the assets of the issuer on the date of the initial issuance of Securities, each counterparty in any eligible swap transactions and any affiliate of any such persons.

A fiduciary of a Plan contemplating purchasing a Security must make its own determination that the general conditions set forth above will be satisfied for that Security.

The rating of a Security may change. If the rating of a Security declines below the lowest permitted rating, the Security will no longer be eligible for relief under the Exemption, and consequently may not be purchased by or sold to a Plan (although a Plan that had purchased the Security when the Security had a permitted rating would not be required by the Exemption to dispose of it).

If the general conditions of the Exemption are satisfied, the Exemption may provide an exemption from the restrictions imposed by Sections 406(a) and 407(a) of ERISA (as well as the excise taxes imposed by Sections 4975(a) and (b) of the Code by reason of Sections 4975(c) (1)(A) through (D) of the Code) in connection with the direct or indirect sale, exchange, transfer, holding or the direct or indirect acquisition or disposition in the secondary market of Securities by Plans. However, no exemption is provided from the restrictions of Sections 406(a)(1)(E), 406(a)(2) and 407 of ERISA for the acquisition or holding of a Security on behalf of an Excluded Plan by any person who has discretionary authority or renders investment advice with respect to the assets of that Excluded Plan.

Further, if certain specific conditions of the Exemption are satisfied, the Exemption may provide an exemption from the restrictions imposed by Sections 406(a), 406(b) and 407(a) of ERISA, and the taxes imposed by Sections 4975(a) and (b) of the Code by reason of Section 4975(c) of the Code for transactions in connection with the servicing, management and operation of the trust fund. The depositor expects that the specific conditions of the Exemption required for this purpose will be satisfied for the Securities so that the Exemption would provide an exemption from the restrictions imposed by Sections 406(a), 406(b) and 407(a) of ERISA (as well as the excise taxes imposed by Sections 4975(a) and (b) of the Code by reason of Section 4975(c) of the Code) for transactions in connection with the servicing, management and operation of the Mortgage Pools, provided that the general conditions of the Exemption are satisfied.

The Exemption also may provide an exemption from the restrictions imposed by Sections 406(a) and 407(a) of ERISA, and the taxes imposed by Section 4975(a) and (b) of the Code by reason of Sections 4975(c)(1)(A) through (D) of the Code if those restrictions are deemed to otherwise apply merely because a person is deemed to be a "party in interest" (within the meaning of Section 3(14) of ERISA) or a "disqualified person" (within the meaning of Section 4975(e)(2) of the Code) with respect to an investing Plan by virtue of providing services to the Plan (or by virtue of having certain specified relationships to that person) solely as a result of the Plan's ownership of Securities.

The Exemption extends exemptive relief to certain mortgage-backed and asset-backed securities transactions that use pre-funding accounts and that otherwise meet the requirements of the exemption. Obligations in an investment pool supporting payments to securityholders, and having a value equal to no

more than 25% of the total initial principal balance of the related Securities, may be transferred to the trust fund within the Pre-Funding Period, instead of being required to be either identified or transferred on or before the closing date. The relief is available if the following conditions are met:

(1) The ratio of the amount allocated to the Pre-Funding Account to the total principal amount of the Securities being offered (the “Pre-Funding Limit”) must not exceed 25%.

(2) All assets transferred after the closing date (the “Subsequent Assets”) must meet the same terms and conditions for eligibility as the original Primary Assets used to create the issuer, which terms and conditions have been approved by at least one Rating Agency.

(3) The transfer of the Subsequent Assets to the issuer during the Pre-Funding Period must not result in the Securities that are to be covered by the Exemption receiving a lower credit rating from a Rating Agency upon termination of the Pre-Funding Period than the rating that was obtained at the time of the initial issuance of the Securities by the issuer.

(4) The weighted average annual percentage interest rate for all of the Primary Assets in the issuer at the end of the Pre-Funding Period must not be more than 100 basis points lower than the average interest rate for the Primary Assets transferred to the issuer on the closing date.

(5) In order to ensure that the characteristics of the Subsequent Assets are substantially similar to the original Primary Assets that were transferred to the issuer:

- the characteristics of the Subsequent Assets must be monitored by an insurer or other credit support provider that is independent of the depositor; or
- an independent accountant retained by the depositor must provide the depositor with a letter (with copies provided to each Rating Agency rating the Securities, the underwriter and the trustee) stating whether or not the characteristics of the Subsequent Assets conform to the characteristics described in the related prospectus supplement and/or the related Agreement. In preparing this letter, the independent accountant must use the same type of procedures as were applicable to the Primary Assets transferred to the issuer as of the closing date.

(6) The Pre-Funding Period must end no later than the later of three months or 90 days after the closing date (or earlier if the Pre-Funding Account falls below the minimum level specified in the related Agreement or an Event of Default occurs).

(7) Amounts transferred to the Pre-Funding Account and/or the capitalized interest account used in connection with the pre-funding may be invested only in certain permitted investments.

(8) The prospectus or prospectus supplement must describe:

- the Pre-Funding Account and/or capitalized interest account used in connection with the Pre-Funding Account;
- the duration of the Pre-Funding Period;
- the percentage and/or dollar amount of the Pre-Funding Limit for the issuer; and
- that the amounts remaining in the Pre-Funding Account at the end of the Pre-Funding Period will be remitted to securityholders as repayments of principal.

(9) The related Agreement must describe the permitted investments for the Pre-Funding Account and/or capitalized interest account and, if not disclosed in the prospectus supplement, the terms and conditions for eligibility of Subsequent Assets.

The Securities may have features, such as put option rights or mandatory purchase features, that are not eligible for exemptive relief under the Exemption. In this case, the prospectus supplement related to a series of Securities will identify any additional considerations and conditions for a fiduciary investing assets of a Plan in a class of Securities that includes such features.

To the extent the Securities are not treated as equity interests for purposes of DOL regulations Section 2510.3-101, a Plan's investment in those Securities ("Non-Equity Securities") would not cause the assets included in a related trust fund to be deemed Plan assets. However, the depositor, the master servicer, the servicer, the trustee, or underwriter may be the sponsor of or investment advisor with respect to one or more Plans. Because these parties may receive certain benefits in connection with the sale of Non-Equity Securities, the purchase of Non-Equity Securities using Plan assets over which any of these parties has investment authority might be deemed to be a violation of the prohibited transaction rules of ERISA and the Code for which no exemption may be available. Accordingly, Non-Equity Securities may not be purchased using the assets of any Plan if any of the depositor, the servicer, the trustee or underwriter has investment authority for those assets, or is an employee maintaining or contributing to the Plan.

In addition, certain affiliates of the depositor might be considered or might become Parties in Interest with respect to a Plan. Also, any holder of Securities, because of its activities or the activities of its respective affiliates, may be deemed to be a Party in Interest with respect to certain Plans, including but not limited to Plans sponsored by that holder. In either case, the acquisition or holding of Non-Equity Securities by or on behalf of that Plan could be considered to give rise to an indirect prohibited transaction within the meaning of ERISA and the Code, unless it is subject to one or more statutory, regulatory or administrative exemptions such as Prohibited Transaction Class Exemption ("PTCE") 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager," PTCE 90-1, which exempts certain transactions involving insurance company pooled separate accounts, PTCE 91-38, which exempts certain transactions involving bank collective investment funds, PTCE 95-60, which exempts certain transactions involving insurance company general accounts, or PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by certain "in-house" asset managers. It should be noted, however, that even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by these exemptions may not necessarily cover all acts that might be construed as prohibited transactions.

Any Plan fiduciary that proposes to cause a Plan to purchase Securities should consult with its counsel with respect to the potential applicability of ERISA and the Code to that investment, the availability of the exemptive relief provided in the Exemption and the potential applicability of any other prohibited transaction exemption in connection therewith. In particular, a Plan fiduciary that proposes to cause a Plan to purchase Securities representing a beneficial ownership interest in a pool of single-family residential first mortgage loans should consider the applicability of PTCE 83-1, which provides exemptive relief for certain transactions involving mortgage pool investment trusts. The prospectus supplement for a series of Securities may contain additional information regarding the application of the Exemption, PTCE 83-1 or any other exemption, with respect to the Securities offered thereby. In addition, any Plan fiduciary that proposes to cause a Plan to purchase Stripped Securities should consider the federal income tax consequences of that investment.

Any Plan fiduciary considering whether to purchase a Security on behalf of a Plan should consult with its counsel regarding the application of the DOL regulations Section 2510.3-101 and the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to that investment.

The sale of Securities to a Plan is in no respect a representation by the depositor or the underwriter that the investment meets all relevant legal requirements for investments by Plans generally or any particular Plan, or that the investment is appropriate for Plans generally or any particular Plan.

## Legal Investment Considerations

The prospectus supplement for each series of Securities will specify which, if any, of the classes of Offered Securities will constitute “mortgage related securities” for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended (“SMMEA”). Classes of Securities that qualify as “mortgage related securities” will be legal investments for persons, trusts, corporations, partnerships, associations, business trusts and business entities (including depository institutions, life insurance companies and pension funds) created pursuant to or existing under the laws of the United States or of any state (including the District of Columbia and Puerto Rico) whose authorized investments are subject to state regulation to the same extent as, under applicable law, obligations issued by or guaranteed as to principal and interest by the United States or any of these entities. Under SMMEA, if a state enacted legislation prior to October 4, 1991 specifically limiting the legal investment authority of any such entities with respect to “mortgage related securities,” the Securities will constitute legal investments for entities subject to this legislation only to the extent provided therein. Approximately twenty-one states adopted the legislation prior to the October 4, 1991 deadline.

SMMEA also amended the legal investment authority of federally-chartered depository institution as follows: federal savings and loan associations and federal savings banks may invest in, sell or otherwise deal in Securities without limitations as to the percentage of their assets represented thereby, federal credit unions may invest in mortgage related securities, and national banks may purchase Securities for their own account without regard to the limitations generally applicable to investment securities set forth in 12 U.S.C. 24 (Seventh), subject in each case to any regulations the applicable federal authority may prescribe. In this connection, federal credit unions should review the National Credit Union Administration (“NCUA”) Letter to Credit Unions No. 96, as modified by Letter to Credit Unions No. 108, which includes guidelines to assist federal credit unions in making investment decisions for mortgage related securities, and the NCUA’s regulation “Investment and Deposit Activities” (12 C.F.R. Part 703), (whether or not the class of Securities under consideration for purchase constitutes a “mortgage related security”).

All depository institutions considering an investment in the Securities (whether or not the class of securities under consideration for purchase constitutes a “mortgage related security” should review the Federal Financial Institutions Examination Council’s Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective regulators) (the “Policy Statement”), setting forth, in relevant part, certain securities trading and sales practices deemed unsuitable for an institution’s investment portfolio, and guidelines for (and restrictions on) investing in mortgage derivative products, including “mortgage related securities” that are “high-risk mortgage securities” as defined in the Policy Statement. According to the Policy Statement, “high-risk mortgage securities” include securities such as the Securities not entitled to distributions allocated to principal or interest, or Subordinated Securities. Under the Policy Statement, it is the responsibility of each depository institution to determine, prior to purchase (and at stated intervals thereafter), whether a particular mortgage derivative product is a “high-risk mortgage security,” and whether the purchase (or retention) of the product would be consistent with the Policy Statement.

The foregoing does not take into consideration the applicability of statutes, rules, regulations, orders, guidelines, or agreements generally governing investments made by a particular investor, including, but not limited to, “prudent investor” provisions, percentage-of-assets limits and provisions that may restrict or prohibit investment in securities that are not “interest bearing” or “income paying.”

There may be other restrictions on the ability of certain investors, including depository institutions, either to purchase Securities or to purchase Securities representing more than a specified percentage of the investor’s assets. Investors should consult their own legal advisors in determining whether and to what extent the Securities constitute legal investments for these investors.

## **Legal Matters**

Certain legal matters in connection with the Offered Securities will be passed upon for the depositor and for the Underwriters, and the material federal income tax consequences of the Securities will be passed upon for the depositor, by McKee Nelson LLP, Washington, D.C. or by Morgan, Lewis & Bockius LLP, New York, New York as specified in the prospectus supplement for each series of Securities.

## **The Depositor**

The depositor, Structured Asset Securities Corporation, was incorporated in the State of Delaware on January 2, 1987. The principal office of the depositor is located at 101 Hudson Street, Jersey City, New Jersey 07302. Its telephone number is (201) 524-2437.

The Certificate of Incorporation of the depositor provides that the depositor may not conduct any activities other than those related to the issue and sale of one or more series and to serve as depositor of one or more trusts that may issue and sell bonds or securities. The Certificate of Incorporation of the depositor provides that any securities, except for subordinated securities, issued by the depositor must be rated in one of the three highest categories available by any Rating Agency rating the series.

The series Supplement for a particular series may permit the Primary Assets pledged to secure the related series of Securities to be transferred by the Issuer to a trust, subject to the obligations of the Securities of that series, thereby relieving the Issuer of its obligations with respect to the Securities.

## **Use of Proceeds**

The depositor will apply all or substantially all of the net proceeds from the sale of each series offered hereby and by the prospectus supplement to purchase the Primary Assets, to repay indebtedness that has been incurred to obtain funds to acquire the Primary Assets, to establish the Reserve Funds, if any, for the series and to pay costs of structuring and issuing the Securities. If specified in the prospectus supplement, Securities may be exchanged by the depositor for Primary Assets. Unless otherwise specified in the prospectus supplement, the Primary Assets for each series of Securities will be acquired by the depositor either directly, or through one or more affiliates that will have acquired the Primary Assets from time to time either in the open market or in privately negotiated transactions.

## **Plan of Distribution**

Each series of Securities offered hereby and by means of the prospectus supplements may be offered through any one or more of the following: Lehman Brothers Inc., an affiliate of the depositor; underwriting syndicates represented by Lehman Brothers Inc.; any originator of Loans underlying a series; or underwriters, agents or dealers selected by the originator (collectively, the “Underwriters”). The prospectus supplement with respect to each series of Securities will set forth the terms of the offering of the series of Securities and each class within the series, including the name or names of the Underwriters (if known), the proceeds to the depositor (if any), and including either the initial public offering price, the discounts and commissions to the Underwriters and any discounts or commissions allowed or reallocated to certain dealers, or the method by which the prices at which the Underwriters will sell the Securities will be determined.

The Underwriters may or may not be obligated to purchase all of the Securities of a series described in the prospectus supplement with respect to the series if any Securities are purchased. The Securities may be acquired by the Underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

If so indicated in the prospectus supplement, the depositor will authorize Underwriters or other persons acting as the depositor’s agents to solicit offers by certain institutions to purchase the Securities from the depositor pursuant to contracts providing for payment and delivery on a future date. Institutions with which

these contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases these institutions must be approved by the depositor. The obligation of any purchaser under the contract will be subject to the condition that the purchase of the offered Securities will not at the time of delivery be prohibited under the laws of the jurisdiction to which the purchaser is subject. The Underwriters and any other agents will not have any responsibility in respect of the validity or performance of the contracts.

The depositor may also sell the Securities offered hereby and by means of the prospectus supplements from time to time in negotiated transactions or otherwise, at prices determined at the time of sale. The depositor may effect the transactions by selling Securities to or through dealers and the dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the depositor and any purchasers of Securities for whom they may act as agents.

The place and time of delivery for each series of Securities offered hereby and by means of the prospectus supplement will be set forth in the prospectus supplement with respect to the series.

In the ordinary course of business, Lehman Brothers Inc. or other Underwriters, or their respective affiliates, may engage in various securities and financing transactions, including loans or repurchase agreements to provide interim financing of mortgage loans pending the sale of the mortgage loans or interests therein, including the Securities.

### **Additional Information**

The depositor has filed with the Securities and Exchange Commission (the “Commission”) a Registration Statement under the Securities Act of 1933, as amended, with respect to the Securities. This prospectus, which forms a part of the Registration Statement, omits certain information contained in the Registration Statement pursuant to the Rules and Regulations of the Commission. The Registration Statement and the exhibits thereto can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at certain of its Regional Offices located as follows:

- Chicago Regional Office, Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and
- New York Regional Office, 233 Broadway, New York, New York 10279.

Copies of these materials can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also maintains a site on the World Wide Web at “<http://www.sec.gov>” at which users can view and download copies of reports, proxy and information statements and other information filed electronically through the Electronic Data Gathering, Analysis and Retrieval (“EDGAR”) system. The Seller has filed the Registration Statement, including all exhibits thereto, through the EDGAR system and therefore these materials should be available by logging onto the Commission’s Web site. The Commission maintains computer terminals providing access to the EDGAR system at each of the offices referred to above.

Copies of the most recent Fannie Mae Prospectus for Fannie Mae certificates and Fannie Mae’s annual report and quarterly financial statements as well as other financial information are available from the Director of Investor Relations of Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (202-752-7115). The depositor did not participate in the preparation of Fannie Mae’s Prospectus or its annual or quarterly reports or other financial information and, accordingly, makes no representation as to the accuracy or completeness of the information set forth therein.

Copies of the most recent Offering Circular for Freddie Mac certificates as well as Freddie Mac’s most recent Information Statement and Information Statement Supplement and any quarterly report made available by Freddie Mac can be obtained by writing or calling the Investor Inquiry department of Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside Washington, D.C. metropolitan area, telephone



800-336-3672; within Washington, D.C. metropolitan area, telephone 703-759-8160). The depositor did not participate in the preparation of Freddie Mac's Offering Circular, Information Statement or any supplement thereto or any quarterly report thereof and, accordingly, makes no representations as to the accuracy or completeness of the information set forth therein.

### **Incorporation of Certain Documents by Reference**

All documents subsequently filed by or on behalf of the trust fund referred to in the accompanying prospectus supplement with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the date of this prospectus and prior to the termination of any offering of the Securities issued by the trust fund will be deemed to be incorporated by reference in this prospectus and to be a part of this prospectus from the date of the filing of the documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for all purposes of this prospectus to the extent that a statement contained herein (or in the accompanying prospectus supplement) or in any other subsequently filed document that also is or is deemed to be incorporated by reference modifies or replaces the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

The trustee on behalf of any trust fund will provide without charge to each person to whom this prospectus is delivered, on the written or oral request of that person, a copy of any or all of the documents referred to above that have been or may be incorporated by reference in this prospectus (not including exhibits to the information that is incorporated by reference unless the exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests should be directed to the Corporate Trust Office of the trustee specified in the accompanying prospectus supplement.

### **Reports to Securityholders**

Periodic and annual reports concerning the related trust fund are required under the Agreements to be forwarded to securityholders. Unless otherwise specified in the prospectus supplement, the reports will not be examined and reported on by an independent public accountant. See "The Agreements — Reports to Securityholders."

## Index of Defined Terms

	<u>Page</u>		<u>Page</u>
1986 Act .....	93	DOL .....	125
Adjustable Rate Mortgages .....	27	DTC .....	5
Agency Certificates .....	15	Due Date .....	41
Aggregate Asset Principal Balance .....	5	EDGAR .....	132
Agreements .....	61	Eligible Investments .....	66
Appraised Value .....	26	Eligible Reserve Fund Investments .....	66
ARMs .....	26	EPA .....	81
Asset Group .....	2	ERISA .....	125
Asset Principal Balance .....	5	Escrow Accounts .....	37
Assistance Loans .....	15	Euroclear .....	5
Bankruptcy Code .....	49	Euroclear Operator .....	7
Beneficial Owner .....	6	European Depositaries .....	7
Bi-Weekly Loans .....	24	Exchange Act .....	133
Book-Entry Securities .....	2	Excluded Plan .....	127
Business Day .....	70	Exemption .....	126
Buy-Down Amounts .....	26	Expense Reserve Fund .....	70
Buy-Down Fund .....	39	Fannie Mae .....	19
Buy-Down Loans .....	26	FASIT .....	88
Buy-Down Mortgage Rate .....	26	FASIT Provisions .....	88
Buy-Down Period .....	26	FHA .....	17
Buydown .....	56	FHA Loans .....	24
Cash Program .....	19	FHA/VA Claim Proceeds .....	54
CERCLA .....	81	Financial Intermediary .....	7
Certificates .....	2	Fitch .....	126
Clearstream .....	5	Floating Rate Securities .....	2
Code .....	88	Freddie Mac .....	21
Collection Account .....	37	Freddie Mac Act .....	21
Commission .....	132	FSLIC .....	27
Company Counsel .....	89	Garn-St. Germain Act .....	82
Compound Interest Securities .....	2	GEM Loans .....	24
Compound Value .....	4	Ginnie Mae .....	17
Condominium .....	24	Ginnie Mae Servicers .....	15
Condominium Association .....	34	GPM Fund .....	40
Condominium Building .....	34	GPM Loans .....	24
Condominium Loans .....	24	Grantor Trust Fund .....	88
Condominium Unit .....	24	Guarantor Program .....	19
Conventional Loans .....	18	Guaranty Agreement .....	15
Cooperative Corporation .....	7	Housing Act .....	17
Cooperative Dwellings .....	24	HUD .....	22
Cooperative Loans .....	24	Index .....	27
Cooperatives .....	24	Indirect Participants .....	6
Covered Trust .....	48	Insurance Policies .....	23
CPR .....	11	Insured Loss .....	52
Cut-off Date .....	14	Interest Rate .....	3
Deferred Interest .....	12	Interest Weighted Securities .....	2
Definitive Securities .....	2	L/C Bank .....	50
Deleted Loan .....	64	L/C Percentage .....	50
Designated Transaction .....	126	Lifetime Mortgage Rate Cap .....	27
Disqualified Organization .....	103	Liquidation Proceeds .....	38
Distribution Account .....	70	Loan-to-Value Ratio .....	26

	<u>Page</u>		<u>Page</u>
Loans	15	PTCE	129
Manufactured Home	28	PTE	126
Manufactured Home Loan Schedule	63	Qualified Insurer	42
Manufactured Home Loans	28	Qualifying Substitute Mortgage Loan	64
Maximum Mortgage Rate Adjustment	27	Rating Agency	4
Minimum Mortgage Rate	27	RCRA	81
Minimum Principal Distribution Amount	4	Regular Securities	89
Moody's	126	Relevant Depositary	7
Mortgage Certificate Schedule	61	REMIC	88
Mortgage Loan Schedule	63	REMIC Provisions	88
Mortgage Loans	24	REMIC Regulations	88
Mortgage Rates	12	REO Property	71
Mortgaged Property	13	Residual Securities	89
Multi-Class Series	3	Residual Securityholders	99
Multifamily Properties	12	Retained Interest	14
NCUA	130	Rules	7
Negatively Amortizing ARMs	27	S&P	126
New Proposed Regulations	104	SBJPA of 1996	92
New Regulations	108	Scheduled Payment	12
No-Bid	56	Scheduled Principal	20
Non-Equity Securities	129	Securities	2
Non-U.S. Person	108	Seller	62
Notes	2	Senior Securities	4
Offered Securities	2	Servicing Account	39
OID Regulations	88	Servicing Agreements	36
PACs	2	Single Family Property	18
Participants	6	SMMEA	130
Participation Agreement	15	SPA	11
Participation Certificate Schedule	63	Standard Securities	113
Participation Certificates	63	Startup Day	89
Parties in Interest	125	Stripped Securities	116
Partnership Trust Fund	88	Subordinate Securities	2
Pass-Through Entity	103	Subordinated Amount	49
PC Pool	19	Subordination Reserve Fund	49
Percentage Interest	3	Subsequent Assets	128
Planned Amortization Certificates	2	Subsequent Primary Assets	30
Plans	125	Subservicers	36
PMBS Agreement	22	Subsidy Fund	40
PMBS Issuer	22	Taxable Mortgage Pools	89
PMBS Servicer	22	Terms and Conditions	7
PMBS Trustee	22	Tiered REMICs	92
Policy Statement	130	Title V	83
Pre-Funding Account	30	Title VIII	84
Pre-Funding Arrangement	30	UCC	78
Pre-Funding Limit	128	Underwriters	131
Primary Assets	14	U.S. Person	104
Principal Distribution Amount	4	VA	17
Principal Weighted Securities	2	VA Loans	16
Private Mortgage-Backed Securities	15		

**\$750,206,295**  
**(Approximate)**

**STRUCTURED ASSET SECURITIES CORPORATION**

**Pass-Through Certificates**  
**Series 2002-AL1**



**Aurora Loan Services Inc.**  
**Servicer**

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**PROSPECTUS SUPPLEMENT**  
**March 4, 2002**

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**LEHMAN BROTHERS**

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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 other Disclosure Documents. You must not rely on any unauthorized information or representation. This Prospectus and the other Disclosure Documents do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus and the other Disclosure Documents 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.

**\$652,437,440**  
**(Approximate)**



**FannieMae®**

Guaranteed Grantor Trust  
Pass-Through Certificates  
Fannie Mae Grantor Trust 2002-T6

## TABLE OF CONTENTS

	<u>Page</u>
Table of Contents .....	2
Available Information .....	3
Reference Sheet .....	4
Risk Factors .....	7
General .....	10
The Underlying SASCO Security (Group I) .....	13
The FHA/VA Loans .....	13
Description of the Certificates .....	21
The Trust Agreement .....	32
Certain Federal Income Tax Consequences ..	37
Legal Investment Considerations .....	42
Legal Opinion .....	43
ERISA Considerations .....	43
Plan of Distribution .....	43
Legal Matters .....	44
Exhibit A .....	A-1

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## PROSPECTUS

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**LEHMAN BROTHERS**

March 14, 2002

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