

Supplement
(To Prospectus dated July 8, 2002)

\$534,801,734 (Approximate)



**Guaranteed Pass-Through Certificates
Fannie Mae Trust 2002-W8**

This is a supplement to the prospectus dated July 8, 2002 (the "Prospectus"). If we use a capitalized term in this supplement without defining it, you will find the definition of that term in the Prospectus.

Notwithstanding anything set forth in the Prospectus, the Original Class Balances of the A1, A2, A3 and P1 Classes of Certificates are set forth opposite their respective Class designations.

<u>Class</u>	<u>Original Class Balance</u>
A1	\$105,498,746
A2	76,395,643
A3	73,627,102
P1	3,439,854

Carefully consider the risk factors starting on page 8 of the Prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates, together with any 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 date of this Supplement is July 25, 2002

Prospectus

\$534,801,734 (Approximate)



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The Certificates

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

Payments to Certificateholders

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

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

The Fannie Mae Guaranty

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

The Trust and Its Assets

The trust assets will be divided into three groups.

- Group 1 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 2 will consist of first lien, one- to four-family, fully amortizing and balloon payment, fixed-rate mortgage loans 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 Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs and having the characteristics described in this prospectus.

Class	Group	Original Class Balance(1)	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Final Distribution Date
A1	1	\$105,500,815	PT	6.5 %	FIX	31392DP89	June 2032(3)
A2	1	76,397,141	PT	7.0	FIX	31392DP97	June 2032(3)
A3	1	73,627,101	PT	7.5	FIX	31392DQ21	June 2032(3)
P1	1	3,436,288	PT	(5)	PO	31392DQ39	June 2032(3)
I1	1	258,961,345 (6)	NTL	(7)	WAC/IO	31392DQ47	June 2032(3)
A4	2	29,031,239	PT	7.0	FIX	31392DQ54	June 2017
A5	2	159,740,510	PT	7.0	FIX	31392DQ62	September 2032
F	2	47,808,493	PT	(8)	FLT	31392DQ70	September 2032
S	2	47,808,493 (6)	NTL	(8)	INV/IO	31392DQ88	September 2032
P2	2	8,072,667	PT	(5)	PO	31392DQ96	September 2032
I2	2	244,652,909 (6)	NTL	(9)	WAC/IO	31392DR20	September 2032
A6	3	31,187,480	PT	(10)	WAC	31392DR38	March 2032(4)
R	(11)	0	NPR	0	NPR	31392DR46	September 2032
RL	(11)	0	NPR	0	NPR	31392DR53	September 2032

(1) May vary by plus or minus 10%.

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

(3) The assumed maturity date for the Group 1 Classes is June 2032. However, we will not guarantee payment in full of the principal balances of the Group 1 Classes on their assumed maturity date. We will guarantee payment in full of the principal balances of the Group 1 Classes on their Final Distribution Date of June 2042.

(4) The assumed maturity date for the A6 Class is March 2032. However, we will not guarantee payment in full of the principal balance of the A6 Class on its assumed maturity date. We will guarantee payment in full of the principal balance of the A6 Class on its Final Distribution Date of March 2042.

(5) The P1 and P2 Classes will be principal only classes and will not bear interest.

(6) Notional balances. These classes are interest only classes.

(7) The I1 Class will bear interest at the variable annual rate described in this prospectus. During the first interest accrual period, the I1 Class is expected to bear interest at an annual rate of approximately 0.37049%.

(8) Based on LIBOR.

(9) The I2 Class will bear interest at the variable annual rate described in this prospectus. During the first interest accrual period, the I2 Class is expected to bear interest at an annual rate of approximately 0.13019%.

(10) The A6 Class will bear interest during the initial interest accrual period at an annual rate equal to approximately 6.44306%. During each subsequent interest accrual period, the A6 Class will bear interest as described in this prospectus.

(11) The R and RL Classes relate to Group 2 only.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be July 30, 2002.

Bear, Stearns & Co. Inc.
July 8, 2002

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AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood this prospectus and our current Information Statement dated April 1, 2002 and its supplements (the “Information Statement”), which we are incorporating by reference in this prospectus.

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

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

This prospectus, the Information Statement, and the class factors, are available on our corporate Web site at www.fanniemae.com and our business to business Web site at www.efanniemae.com. You can also obtain them by calling the Fannie Mae Helpline at 1-800-237-8627 or 202-752-6547.

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

Bear, Stearns & Co. Inc.
Prospectus Department
One Metro Tech Center North
Brooklyn, New York 11201
(telephone: 212-272-1581).

REFERENCE SHEET

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

The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae Trust 2002-W8.
- The trust assets will be divided into three groups.
- Group 1 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 2 will consist of a pool of first lien, one- to four-family, fully amortizing and balloon payment, fixed-rate mortgage loans.
- Group 3 will consist of first-lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs.

Certain Characteristics of the Group 1 and Group 3 Loans

Each of the Group 1 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 1 and Group 3 Loans was subsequently repurchased from a Ginnie Mae pool after a delinquency on the loan was not cured for at least 90 days. The Group 1 and Group 3 Loans are now reperforming as and to the extent described in the sections of this prospectus entitled “The Mortgage Loans—Group 1 Loans” and “—Group 3 Loans.”

The table appearing in Exhibit A sets forth certain summary information regarding the assumed characteristics of the Group 1 and Group 3 Loans.

Assumed Characteristics of the Group 2 Loans

The tables appearing under the heading “The Mortgage Loans—Group 2 Loans” summarize as of July 1, 2002 certain assumed characteristics of the Group 2 Loans. The information in those tables is presented in aggregated form.

Class Factors

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

Settlement Date

We expect to issue the certificates on July 30, 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 August 2002.

Book-Entry and Physical Certificates

We will issue the book-entry certificates through DTC and the U.S. Federal Reserve Banks, as applicable, which will electronically track ownership of the certificates and payments on them. We will issue physical certificates in registered, certificated form.

We will issue the classes of certificates in the following forms:

DTC Book-Entry

All Group 1 and Group 3 Classes

Fed Book-Entry

All Group 2 Classes

Physical

R and RL Classes

Interest Payments

During each interest accrual period, the fixed rate and weighted average coupon classes will bear interest at the applicable annual interest rates listed on the cover or described in this prospectus.

During the initial interest accrual period, the floating rate and inverse floating rate classes will bear interest at the initial interest rates listed below. During subsequent interest accrual periods, the floating rate and inverse floating rate classes will bear interest based on the formulas indicated below, but always subject to the specified maximum and minimum interest rates:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate (1)</u>
F	2.24%	8.5%	0.4%	LIBOR + 40 basis points
S	6.26%	8.1%	0.0%	8.1% – LIBOR

(1) We will establish LIBOR on the basis of the “BBA Method.”

Notional Classes

The I1, I2 and S Classes are notional classes. A notional class will not receive principal. The notional principal balance of a notional class is the balance used to calculate interest.

The notional principal balances of the notional classes will equal the percentages of the balances specified below immediately before the related distribution date:

Class

I1	100% of the aggregate stated principal balance of the Group 1 Loans
I2	100% of the aggregate stated principal balance of the Group 2 Loans
S	100% of the F Class

Principal Only Classes

The P1 and P2 Classes are principal only classes and will not bear interest. See “Description of the Certificates—Principal Payments on the Certificates” and “—Yield Tables—*The Principal Only Classes*” in this prospectus.

Payments of Principal

Group 1 Principal Distribution Amount

On each distribution date, we will pay the Category 1-I Non-PO Principal Distribution Amount and the Category 1-II Principal Distribution Amount as principal of the A1 and A2 Classes, pro rata, to zero.

On each distribution date, we will pay the P1 Principal Distribution Amount as principal of the P1 Class to zero.

On each distribution date, we will pay the Category 1-III Principal Distribution Amount as principal of the A3 Class to zero.

For a description of the Category 1-I Non-PO Principal Distribution Amount, the Category 1-II Principal Distribution Amount, the P1 Principal Distribution Amount and the Category 1-III Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

Group 2 Principal Distribution Amount

On each Distribution Date, we will pay the P2 Principal Distribution Amount as principal of the P2 Class to zero.

On each Distribution Date, we will pay the Category 2-I Non-PO Principal Distribution Amount and the Category 2-II Principal Distribution Amount as principal of the A4 Class to zero.

On each Distribution Date, we will pay the Category 2-III Non-PO Principal Distribution Amount and the Category 2-IV Principal Distribution Amount as principal of the A5 Class to zero.

On each Distribution Date, we will pay the Category 2-V Non-PO Principal Distribution Amount and the Category 2-VI Principal Distribution Amount as principal of the F Class to zero.

For a description of the P2 Principal Distribution Amount, the Category 2-I Non-PO Principal Distribution Amount, the Category 2-II Principal Distribution Amount, the Category 2-III Non-PO Principal Distribution Amount, the Category 2-IV Principal Distribution Amount, the Category 2-V Non-PO Principal Distribution Amount and the Category 2-VI Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” 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 A6 Class to zero.

Guaranty Payments

We guarantee that we will pay to the holders of certificates (i) all required installments of principal and interest on the certificates on time; (ii) the remaining principal balance of each Group 1 and Group 3 Class no later than the distribution dates in June 2042 and March 2042, respectively, and (iii) the remaining principal balance of each Group 2 Class no later than the applicable final distribution date listed on the cover of this prospectus.

Weighted Average Lives (years) *

Group 1 Classes	CPR Prepayment Assumption									
	0%	5%	10%	15%	20%	25%	30%	35%	40%	50%
A1	16.8	10.7	7.3	5.4	4.1	3.3	2.7	2.3	1.9	1.4
CPR Prepayment Assumption										
	0%	10%	15%	25%	35%					
A2	16.8	7.3	5.4	3.3	2.3					
A3	15.8	7.2	5.3	3.3	2.3					
P1	16.6	7.3	5.3	3.3	2.3					
I1	16.5	7.3	5.4	3.3	2.3					

<u>Group 2 Classes</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>10%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>
A4	11.5	6.3	3.9	2.6	1.9
A5	20.2	7.9	4.3	2.7	1.9
F and S	20.8	8.0	4.3	2.8	2.0
P2	19.1	7.6	4.2	2.7	1.9
I2	19.2	7.7	4.2	2.7	1.9
<u>Group 3 Class</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>10%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
A6 (to call)	14.0	6.6	3.1	2.1	1.4
A6 (to maturity)	14.1	6.8	3.2	2.2	1.4

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

RISK FACTORS

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

Suitability

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

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

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

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

Yield Considerations

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

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

- if and when the mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans are repurchased;
- the actual characteristics of the mortgage loans; and
- in the case of the I1, I2 and A6 Classes, fluctuations in the weighted average of the net mortgage rates of the related mortgage loans.

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

- if you own interest only certificates or if you buy your certificates at a premium and principal payments on the related mortgage loans are faster than you expect, or
- if you own principal only certificates or if you buy your certificates at a discount and principal payments on the related mortgage loans are slower than you expect.

Furthermore, in the case of interest only certificates or other certificates purchased at a premium, you could lose money on your investment if prepayments occur at a rapid rate.

In addition, in the case of the interest only classes or other certificates purchased at a premium, if a disproportionately high rate of prepayments occurs on the related mortgage loans with relatively higher interest rates, the yields on those certificates will decrease and may be lower than you expect.

Even if the mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations in the prepayment rate over time could significantly affect your yield. Generally, the earlier the payment of principal,

the greater the effect on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier prepayment rate on your yield.

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

In the case of the Group 1 and Group 3 Classes, collections of interest on the related mortgage loans may be reduced under certain circumstances. Nevertheless, we guarantee that you will receive the full amount of interest due on your certificates regardless of any such reduction in interest collected on the Group 1 or Group 3 Loans.

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.

The actual final payment on your class may occur earlier, and could occur much earlier, than the applicable final distribution date listed on the cover of this prospectus. If you assume the actual final payment on your class will occur on the final distribution date specified, your yield could be lower than you expect.

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

Level of floating rate index affects yields on certain certificates. The yield on any floating rate or inverse floating rate certificate will be affected by the level of its interest rate index. If the level of the index differs from the level you expect, then your actual yield may be lower than you expect.

Prepayment Considerations

General

The rate of principal payments of the certificates depends on numerous factors and thus cannot be predicted. The rate of principal payments on the certificates of a particular class generally will depend on the rate of principal payments on the related mortgage loans. Principal payments on the mortgage loans may occur as a result of scheduled amortization, balloon payments or prepayments. The rate of principal payments is likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans, FHA insurance payments and VA guarantee payments in the case of the Group 1 and Group 3 Loans, as well as because borrowers generally may prepay the mortgage loans at any time without penalty.

It is highly unlikely that the mortgage loans will prepay:

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

In general, 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 borrowers, including changes in borrowers' credit status,
- borrower sophistication regarding the benefits of refinancing,
- solicitation by competing lenders,
- repurchases of mortgage loans from the pools, and
- general economic conditions.

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

***Additional Prepayment Considerations
Affecting the Group 1 and Group 3 Classes.***

The I1 and A6 Classes may be especially sensitive to prepayments. If you buy certificates of the I1 Class and a disproportionately high rate of prepayments occurs on Group 1 Loans with interest rates higher than the rate paid on the I1 Class, the yield on your certificates will decrease and may be lower than you expect.

Similarly, if you buy certificates of the A6 Class and a disproportionately high rate of prepayments occurs on Group 3 Loans with interest rates higher than the rate paid on the A6 Class, the yield on your certificates will decrease and may be lower than you expect.

The rates of prepayment of the Group 1 and Group 3 Loans will be affected by additional FHA and VA considerations. In addition to the factors described above, the rates of prepayment of the Group 1 and Group 3 Loans are likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans and the receipt of FHA insurance payments and VA guarantee payments, as well as because borrowers generally may prepay their loans at any time without penalty. Prepayment rates also may be influenced by changes in FHA or VA program guidelines. In addition, both the FHA and VA have historically permitted borrowers to sell a mortgaged property without requiring the buyer to assume the mortgage and, at times, without verifying the buyer's creditworthiness. In this manner, property sales by borrowers can affect the rate of prepayment.

The weighted average lives of the Group 1 and Group 3 Classes may be extended if the servicer takes certain actions. The servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on Group 1 or Group 3 Loans (but not beyond June 2042 in the case of the Group 1 Loans; and March 2042 in the case of the Group 3 Loans). To the extent that the servicer recasts the amortization schedule or extends the term of a Group 1 or Group 3 Loan, the weighted average lives of the Group 1 Classes or Group 3 Class, as applicable, could be extended.

Exercise of the optional clean-up calls on the Group 1 and/or Group 3 Loans will result in

the prepayment in full of the Group 1 and/or Group 3 Classes. Once the aggregate principal balance of the Group 1 or Group 3 Loans is reduced to 5% or less of its respective aggregate balance as of the Issue Date, the servicer may purchase all the remaining Group 1 or Group 3 Loans, as applicable. If the Group 1 or Group 3 Loans are purchased in this way, it would have the same effect as a prepayment in full of all the Group 1 Loans or Group 3 Loans, as applicable.

Repurchases of delinquent Group 1 and Group 3 Loans will have the same effect as borrower prepayments. Under the circumstances described in this prospectus, EMC Mortgage Corporation will be required to repurchase from the trust delinquent Group 1 and Group 3 Loans. A repurchase of delinquent Group 1 or Group 3 Loans will have the same effect on the Group 1 and Group 3 Classes, respectively, as borrower prepayments of those loans.

Repurchases of certain modified Group 1 and Group 3 Loans will have the same effect as borrower prepayments. If the servicer modifies any Group 1 or Group 3 Loan that is 120 or more days "contractually delinquent" as of July 1, 2002, it must repurchase that loan from the trust. Further, under certain limited circumstances, we have the option to repurchase from the trust any Group 1 or Group 3 Loan whose interest rate has been reduced. A repurchase of Group 1 or Group 3 Loans will have the same effect on the Group 1 or Group 3 Classes, as applicable, as borrower prepayments of those loans.

Concentration of mortgaged properties in certain states. As of the issue date, approximately 10.16% and 8.32% of the Group 1 Loans are secured by mortgaged properties located in California and Maryland, respectively. In addition, as of the issue date, approximately 14.06% and 13.94% of the Group 3 Loans are secured by mortgaged properties located in California and Maryland, respectively. If the residential real estate markets in those states should experience an overall decline in property values, the rates of loan delinquencies in those states probably will increase and may increase substantially.

***Additional Prepayment Considerations
Affecting the Group 2 Classes.***

The I2 Class may be especially sensitive to prepayments. If you buy certificates of the I2 Class and a disproportionately high rate of prepayments occurs on Group 2 Loans with interest rates higher than the rate paid on the I2 Class, the yield on your certificates will decrease and may be lower than you expect.

The rate of principal payments on the Group 2 Classes will be affected by the balloon payment feature of certain of the related mortgage loans. Approximately 7.19% of the Group 2 Loans have original maturities of up to fifteen years and provide for monthly payments based on a 30-year amortization schedule, with a lump sum payment of the unpaid principal balance due at maturity. In most cases, these Group 2 Loans do not provide for refinancing of their unpaid principal balances at maturity. In the case of Group 2 Loans that do provide for refinancing at maturity, we will be obligated to repurchase from the trust any such refinanced Group 2 Loans.

Approximately 35.59% of the Group 2 Loans require that the borrower pay a prepayment premium, in most cases equal to six months' advance interest calculated on the basis of the rate in effect at the time of such prepayment on the amount prepaid in excess of 20% of the original balance of such mortgage loan, if the loan is prepaid in full or in part during the first five years after origination. After the expiration of the applicable prepayment premium period, however, borrowers may prepay the mortgage loans at any time without paying a premium. In no event will certificateholders be entitled to any portion of any prepayment premiums paid by borrowers.

The Group 2 Loans contain "due-on-sale" clauses which generally provide that the lender can require repayment in full if the borrower sells the property that secures the mortgage loan; however, the enforceability of such "due-on-sale" clauses may be limited by applicable law. In this way, property sales by borrowers can affect the rate of prepayment.

In addition, borrowers often seek to refinance their loans by obtaining new loans secured by the same properties. Refinancing of loans also affects the rate of prepayment. When the level of prevailing interest rates declines relative to the interest rates on fixed-rate mortgage loans, the rate of prepayment of those loans is likely to increase. Because the Group 2 Loans bear fixed interest rates, they can be expected to be sensitive to prevailing interest rates.

Repurchases due to breaches of representations will have the same effect as borrower prepayments. When we purchased the Group 2 Loans from EMC Mortgage Corporation, it made certain representations and warranties concerning the Group 2 Loans. If there is a material breach of these representations and warranties, we may choose to repurchase the affected loans. If we do, we will purchase any such loan at a price equal to its principal balance plus accrued interest at its applicable net mortgage interest rate. Our repurchase of Group 2 Loans will have the same effect on the certificateholders as borrower prepayments.

Repurchases due to delinquency will have the same effect as borrower prepayments. Either Fannie Mae or, subject to certain conditions, the servicer may purchase any Group 2 Loan that is delinquent by more than 90 days. In such event, that loan will be purchased at a price equal to its principal balance (plus accrued interest at the applicable net mortgage interest rate). Purchases of Group 2 Loans will have the same effect on the certificateholders as borrower prepayments.

Concentration of mortgaged properties in certain states. As of the issue date, approximately 16.86% and 12.54% of the Group 2 Loans are secured by mortgaged properties located in California and New York, respectively. If the residential real estate markets in those states should experience an overall decline in property values, the rates of loan delinquencies in those states probably will increase and may increase substantially.

Reinvestment Risk

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

Market and Liquidity Considerations

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

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

- the method, frequency and complexity of calculating principal and interest;

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

Fannie Mae Guaranty Considerations

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

GENERAL

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

Structure. We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*), will create the Fannie Mae Trust specified on the cover of this prospectus (the “Trust”) pursuant to a trust agreement (the “Trust Agreement”) dated as of July 1, 2002 (the “Issue Date”). We will issue the Guaranteed Pass-Through Certificates (the “Certificates”) pursuant to that Trust Agreement. We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”).

The assets of the Trust will consist of three groups of mortgage loans (the “Group 1 Loans,” “Group 2 Loans” and “Group 3 Loans” and, together, the “Mortgage Loans”) and will evidence the entire beneficial ownership interest in the payments of principal and interest on the Mortgage Loans. The Group 1 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.

We will designate portions of the Trust (the “Upper Tier REMIC” and the “Lower Tier REMIC”) as “real estate mortgage investment conduits” (each, a “REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). The assets of the Upper Tier REMIC will consist of the Lower Tier Regular Interests. The assets of the Lower Tier REMIC will consist of the Group 2 Loans. The Lower Tier REMIC will not include the Group 1 Loans or the Group 3 Loans.

- The Group 2 Classes will be the “regular interests” in the Upper Tier REMIC.
- The R Class will be the “residual interest” in the Upper Tier REMIC.
- The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be the “regular interests” in the Lower Tier REMIC.
- The RL Class will be the “residual interest” in the Lower Tier REMIC.

Characteristics of Certificates. The Group 1 and Group 3 Classes of Certificates will each 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” of the DTC Certificates. DTC will maintain the DTC Certificates through its book-entry facilities.

We will issue the Group 2 Classes of Certificates (the “Fed Book-Entry Certificates”) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. Entities whose names appear on the book-entry records of a Federal Reserve Bank as having had Certificates deposited in their accounts are the “Holders” or “Certificateholders” of the Group 2 Classes.

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.

We will issue the R and RL Certificates in fully registered, certificated form. The “Holder” or “Certificateholder” of the R or RL Certificate is its registered owner. The R or RL Certificate can be transferred at the corporate trust office of the Transfer Agent, or at the office of the Transfer Agent in New York, New York. State Street Bank and Trust Company in Boston, Massachusetts (“State Street”) will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of the R or RL Certificate and may require payment to cover any tax or other governmental charge.

The Holder of the R Class will receive the proceeds of any remaining assets of the Upper Tier REMIC and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of the Paying Agent. State Street will be the initial Paying Agent. See “—Special Characteristics of the R and RL Classes” in this prospectus.

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

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance of each Class no later than the applicable Final Distribution Date, whether or not we have received sufficient payments on the related Mortgage Loans.

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

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

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

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

Authorized Denominations. We will issue the Certificates (other than the R and RL Classes) in minimum denominations of \$1,000 and whole dollar increments above that amount. We will issue the R and RL Classes as single Certificates with no principal balances.

Optional Termination. We have no option to effect an early termination of the Trust. The Servicer may purchase the Group 1 and Group 3 Loans from the Trust under the circumstances described in this prospectus under “The Trust Agreement—Termination.”

THE MORTGAGE LOANS

General

We expect that the Trust will consist of approximately 5,416 Mortgage Loans having an aggregate principal balance of approximately \$534,801,734, as of the Issue Date. This aggregate amount may vary by plus or minus 10%. Fannie Mae, as purchaser, and EMC Mortgage Corporation, as seller (the “Seller”) and servicer (in such capacity, together with its subservicers, the “Servicer”), will be parties to a sale and servicing agreement dated as of the Issue Date (the “Sale and Servicing Agreement”).

The Mortgage Loans consist of three groups (“Loan Group 1,” “Loan Group 2” and “Loan Group 3” and each a “Loan Group”) of first lien, one- to four-family, fully amortizing and, in the case of Loan Group 2, balloon payment loans. All of the Mortgage Loans in Loan Group 1 (the “Group 1 Loans”) bear fixed rates of interest, all of the Mortgage Loans in Loan Group 2 (the “Group 2 Loans”) bear fixed rates of interest and all of the Mortgage Loans in Loan Group 3 (the “Group 3 Loans”) bear adjustable rates of interest. All of the Group 1 and Group 3 Loans are FHA-insured or partially guaranteed by the VA. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first mortgage or deed of trust on a one- to four-family residential property. Each Mortgage Note requires the borrower to make monthly payments of principal and interest. We refer to the property that secures repayment of a Mortgage Loan as the “Mortgaged Property.”

While the Mortgage Loans generally have terms not more than 30 years, as of the Issue Date approximately 0.085% of the Group 1 Loans (based in each case 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. In addition, approximately 7.19% of the Group 2 Loans provide for balloon payments at maturity and have original maturities of up to 15 years.

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

Group 1 Loans

The information shown on Exhibit A summarizes certain assumed characteristics of the Group 1 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 1 Loan. The information in the tables does not give effect to prepayments received on the Group 1 Loans on or after the Issue Date.

Each of the Group 1 Loans was originated in accordance with the underwriting guidelines of FHA or VA, as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of the Government National Mortgage Association (“Ginnie Mae”). Substantially all the Group 1 Loans were pooled with Ginnie Mae and then purchased from the Ginnie Mae pool when the Group 1 Loan had a delinquency that was not cured for at least 90 days, or that remained at least 30 days delinquent for a period of 4 consecutive months.

A Group 1 Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the Group 1 Loan have not been cured. As of the Issue Date, no Group 1 Loan was more than 210 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Group 1 Loan from the Trust based upon the Issue Date contractual delinquency of such Group 1 Loan. However, if at any time the aggregate principal balance of the Group 1 and Group 3 Loans which are 90 days or more delinquent (“90+ Delinquent Loans”) exceeds 49.00% of the aggregate principal balance of the Group 1 and Group 3 Loans taken as a whole, the Seller is required to repurchase sufficient 90+ Delinquent Loans to cause the percentage of 90+ Delinquent Loans to be less than or equal to 49.00% (but not less than 45.00%).

The Group 1 Loans are fixed-rate mortgage loans. The following tables set forth certain information, as of the Issue Date, as to the Group 1 Loans. References to “Principal Balance Outstanding” mean 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.

Contractual Delinquency

Contractual Delinquency (Days)	Percent of Principal Balance of Loan Group 1
Less than 30	40.65%
30– 59	30.58
60– 89	18.58
90–119	7.71
120–149	1.68
150–179	0.77
180 or greater	0.03
Total	<u>100.00%</u>

Issue Date Mortgage Loan Principal Balances (1)

<u>Issue Date Mortgage Loan Principal Balances</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 1</u>
\$ 1- 50,000	789	\$ 27,357,782	10.56%
\$ 50,001-100,000	1,748	125,592,897	48.50
\$100,001-150,000	644	77,286,239	29.84
\$150,001-200,000	145	24,687,685	9.53
\$200,001-250,000	16	3,435,342	1.33
\$250,001-300,000	1	298,686	0.12
\$300,001-350,000	1	302,714	0.12
Total	<u>3,344</u>	<u>\$258,961,345</u>	<u>100.00%</u>

(1) As of the Issue Date, the average principal balance for the Group 1 Loans is expected to be approximately \$77,441.

Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 1</u>
7.000 or Less	640	\$ 53,523,959	20.67%
7.001- 7.500	860	71,705,970	27.69
7.501- 8.000	754	59,875,633	23.12
8.001- 8.500	584	43,984,391	16.98
8.501- 9.000	242	17,084,510	6.60
9.001- 9.500	121	6,785,727	2.62
9.501-10.000	62	2,834,781	1.09
10.001-10.500	48	2,151,356	0.83
10.501-11.000	7	304,408	0.12
11.001 or Greater	26	710,609	0.27
Total	<u>3,344</u>	<u>\$258,961,345</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 1 Loans is expected to be approximately 7.834%.

Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 1</u>
61-120	4	\$ 154,428	0.06%
121-180	75	2,768,402	1.07
181-240	27	1,778,509	0.69
241-300	51	4,094,698	1.58
301-360	3,182	249,945,498	96.52
361-420	5	219,811	0.08
Total	<u>3,344</u>	<u>\$258,961,345</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 1 Loans is expected to be 355 months.

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (Months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Loan Group 1
60 or Less	60	\$ 461,546	0.18
61-120	89	2,386,393	0.92
121-180	146	6,599,474	2.55
181-240	276	13,738,810	5.31
241-300	869	59,151,258	22.84
301-360	<u>1,904</u>	<u>176,623,865</u>	<u>68.20</u>
Total	<u>3,344</u>	<u>258,961,345</u>	<u>100.00</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 1 Loans is expected to be approximately 302 months.

Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Loan Group 1
California	246	\$ 26,315,632	10.16%
Maryland	195	21,539,189	8.32
North Carolina	309	20,586,508	7.95
Virginia	218	20,402,388	7.88
Texas	260	16,045,172	6.20
Georgia	180	15,222,200	5.88
Tennessee	190	12,506,742	4.83
Florida	189	12,063,593	4.66
New York	105	10,218,015	3.95
Louisiana	134	8,263,141	3.19
Illinois	90	8,225,143	3.18
Other (38 States)	<u>1,228</u>	<u>87,573,623</u>	<u>33.82</u>
Total	<u>3,344</u>	<u>\$258,961,345</u>	<u>100.00%</u>

Group 2 Loans

The information shown on Exhibit A summarizes certain assumed characteristics of the Group 2 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 Loan. The information in the tables does not give effect to prepayments received on the Group 2 Loans on or after the Issue Date.

Each of the Group 2 Loans was originated in accordance with our eligibility standards, as described under “—Mortgage Loan Eligibility Standards—Conventional Loans” in this prospectus.

Approximately 35.59% of the Group 2 Loans are subject to prepayment premiums. In most cases, the prepayment premium is equal to six months’ advance interest calculated on the basis of the rate in effect at the time of such prepayment on the amount prepaid in excess of 20% of the original balance of the Group 2 Loan, if the loan is prepaid in full or in part during the first five years after origination. After the expiration of the applicable prepayment period, however, borrowers may prepay the mortgage loans at anytime without paying a premium. In no event will Certificateholders be entitled to any portion of any prepayment premiums paid by borrowers.

None of the Group 2 Loans is FHA-insured or VA-guaranteed.

For any Distribution Date, the “Weighted Average Net Mortgage Rate” for either the Discount Loans or the Non-Discount Loans as a group is the weighted average of the Net Mortgage Rates of the Group 2 Loans in such group during the preceding calendar month, weighted on the basis of the Stated Principal Balances of such Group 2 Loans immediately before such Distribution Date. The “Weighted Average Age” is the weighted average loan age of the Group 2 Loans.

The following tables present certain information about the Group 2 Loans as of the Issue Date. When we use the term “Aggregate Principal Balance Outstanding,” we mean the aggregate of the Stated Principal Balances of the related Group 2 Loans as of the Issue Date. Because some of the figures in the tables are rounded, the sums of the percentage columns may not equal 100%.

Current Loan Principal Balances (1)

Current Loan Principal Balances	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
\$ 1–\$ 50,000	82	\$ 3,256,917	1.33%	8.288%	307	4
\$ 50,001–\$100,000	475	36,892,575	15.08	8.271	332	4
\$100,001–\$150,000	474	59,090,091	24.15	8.213	330	4
\$150,001–\$200,000	302	52,249,465	21.36	8.207	335	4
\$200,001–\$250,000	211	47,152,412	19.27	8.104	331	4
\$250,001–\$300,000	111	30,624,410	12.52	8.085	346	4
\$300,001–\$350,000	23	7,403,537	3.03	8.210	342	4
\$350,001–\$400,000	12	4,430,435	1.81	7.782	355	5
\$400,001–\$450,000	7	3,014,568	1.23	8.144	281	4
\$500,001–\$550,000	1	538,499	0.22	7.875	356	4
Total	<u>1,698</u>	<u>\$244,652,909</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average current principal balance for the Group 2 Loans is expected to be approximately \$144,083.

Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
6.00001– 6.50000	4	\$ 774,419	0.32%	6.460%	175	5
6.50001– 7.00000	54	8,406,245	3.44	6.930	319	3
7.00001– 7.50000	219	33,193,957	13.57	7.381	333	4
7.50001– 8.00000	494	72,646,073	29.69	7.839	335	4
8.00001– 8.50000	499	71,374,442	29.17	8.311	331	4
8.50001– 9.00000	247	36,521,771	14.93	8.826	336	4
9.00001– 9.50000	118	14,978,222	6.12	9.329	345	4
9.50001–10.00000	49	5,166,322	2.11	9.786	350	4
10.00001–10.50000	11	1,357,287	0.55	10.275	357	3
10.50001–11.00000	3	234,172	0.10	10.877	357	3
Total	<u>1,698</u>	<u>\$244,652,909</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage rate of the Group 2 Loans is expected to be approximately 8.175% per annum.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
180	230	\$ 29,885,301	12.22%	8.041%	176	4
240	2	488,706	0.20	7.762	235	5
360	1,466	214,278,902	87.58	8.195	356	4
Total	1,698	\$244,652,909	100.00%			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 2 Loans is expected to be 338 months.

Mortgage Loan Age (months) *

Mortgage Loan Ages (months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0-12	1,689	\$243,229,703	99.42%	8.179%	334	4
13-24	9	1,423,206	0.58	7.530	345	15
Total	1,698	\$244,652,909	100.00%			

* As of the Issue Date, the weighted average mortgage loan age of the Group 2 Loans is expected to be approximately 4 months.

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
120-180	230	\$ 29,885,301	12.22%	8.041%	176	4
181-240	2	488,706	0.20	7.762	235	5
301-360	1,466	214,278,902	87.58	8.195	356	4
Total	1,698	\$244,652,909	100.00%			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 2 Loans is expected to be approximately 334 months.

State Distribution of Mortgaged Properties

State Distribution of Mortgaged Properties	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
California	229	\$ 41,247,023	16.86%	7.945%	335	4
New York	142	30,679,107	12.54	8.226	347	4
Florida	209	23,243,544	9.50	8.364	341	4
Illinois	73	12,142,879	4.96	8.312	242	5
New Jersey	70	11,763,107	4.81	7.979	344	4
Arizona	86	10,605,590	4.33	8.258	349	4
Virginia	69	10,455,251	4.27	8.265	342	4
Georgia	67	8,247,510	3.37	8.383	344	4
Maryland	54	8,030,920	3.28	8.085	352	3
Texas	56	7,602,847	3.11	8.310	341	4
Colorado	47	7,589,131	3.10	8.009	281	4
Other	596	73,046,000	29.86	8.197	337	4
Total	<u>1,698</u>	<u>\$244,652,909</u>	<u>100.00%</u>			

Group 3 Loans

The information shown on Exhibit A summarizes certain assumed characteristics of the 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 3 Loan. The information in the tables does not give effect to prepayments received on the Group 3 Loans on or after the Issue Date.

Each of the Group 3 Loans was originated in accordance with the underwriting guidelines of FHA or VA, as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of the Government National Mortgage Association (“Ginnie Mae”). Substantially all the Group 3 Loans were pooled with Ginnie Mae and then purchased from the Ginnie Mae pool when the Group 3 Loan had a delinquency that was not cured for at least 90 days, or that remained at least 30 days delinquent for a period of 4 consecutive months.

A Group 3 Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the Group 3 Loan have not been cured. As of the Issue Date, no Group 3 Loan was more than 90 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Group 3 Loan from the Trust based upon the Issue Date contractual delinquency of such Group 3 Loan. However, if at any time the aggregate principal balance of the Group 1 and Group 3 Loans which are 90 days or more delinquent (“90+ Delinquent Loans”) exceeds 49.00% of the aggregate principal balance of the Group 1 and Group 3 Loans taken as a whole, the Seller is required to repurchase sufficient 90+ Delinquent Loans to cause the percentage of 90+ Delinquent Loans to be less than or equal to 49.00% (but not less than 45.00%).

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 “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.

Contractual Delinquency

<u>Contractual Delinquency (Days)</u>	<u>Percent of Principal Balance of Loan Group 3</u>
Less than 30 Days	55.52%
30-59	27.60
60-89	13.73
90	3.14
Total	<u>100.00%</u>

Issue Date Mortgage Loan Principal Balances (1)

<u>Issue Date Mortgage Loan Principal Balances (\$)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
\$ 1- 50,000	52	\$ 2,231,671	7.16%
\$ 50,001-100,000	215	15,976,846	51.23
\$100,001-150,000	99	11,616,471	37.25
\$150,001-200,000	7	1,132,032	3.63
\$200,001-250,000	1	230,460	0.74
Total	<u>374</u>	<u>\$31,187,481</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 \$83,389.

Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
7.000 or Less	155	\$12,964,188	41.57%
7.001-7.500	99	7,721,412	24.76
7.501-8.000	108	9,184,712	29.45
8.001-8.500	11	1,175,026	3.77
8.501-9.000	1	142,144	0.46
Total	<u>374</u>	<u>\$31,187,481</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 7.081%.

Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
360	374	\$31,187,481	100.00%
Total	<u>374</u>	<u>\$31,187,481</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>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
121-180	2	\$ 67,856	0.22%
181-240	28	1,787,227	5.73
241-300	252	20,864,644	66.90
301-360	92	8,467,754	27.15
Total	<u>374</u>	<u>\$31,187,481</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 3 Loans is expected to be approximately 282 months.

Mortgage Interest Rate Life Caps (1)

<u>Mortgage Interest Rate Life Caps (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
10.00000-10.49999	24	\$ 1,972,469	6.32%
10.50000-10.99999	48	3,997,075	12.82
11.00000-11.49999	80	6,827,744	21.89
11.50000-11.99999	95	8,178,444	26.22
12.00000 or Greater	127	10,211,749	32.74
Total	<u>374</u>	<u>\$31,187,481</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average Mortgage Interest Rate Life Cap of the Group 3 Loans is expected to be approximately 11.518%.

Next Interest Adjustment Dates

<u>Next Interest Adjustment Dates</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
October 2002	92	\$ 7,422,298	23.80%
January 2003	111	9,757,692	31.29
April 2003	71	5,352,893	17.16
July 2003	100	8,654,598	27.75
Total	<u>374</u>	<u>\$31,187,481</u>	<u>100.00%</u>

Mortgage Interest Rate Margins (1)

<u>Mortgage Interest Rate Margins (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
2.00–2.49	160	\$12,250,741	39.28%
2.50–2.99	188	16,582,114	53.17
3.00–3.49	26	2,354,625	7.55
Total	<u>374</u>	<u>\$31,187,481</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 2.472%.

Mortgage Interest Rate Periodic Cap

<u>Mortgage Interest Rate Periodic Cap (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
1.00000	374	\$31,187,481	100.00%
Total	<u>374</u>	<u>\$31,187,481</u>	<u>100.00%</u>

Geographic Distribution of Mortgaged Properties

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loan Group 3</u>
California	41	\$ 4,385,501	14.06%
Maryland	43	4,346,492	13.94
Illinois	34	3,035,188	9.73
Florida	23	1,616,979	5.18
Georgia	21	1,573,263	5.04
New York	16	1,555,751	4.99
Washington	13	1,305,331	4.19
Pennsylvania	18	1,220,902	3.91
North Carolina	12	1,069,654	3.43
Nevada	11	1,046,117	3.35
Virginia	11	1,018,282	3.27
Other (29 States)	<u>131</u>	<u>9,014,021</u>	<u>28.90</u>
Total	<u>374</u>	<u>\$31,187,481</u>	<u>100.00%</u>

Fannie Mae Mortgage Purchase Program

General

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

The mortgage loans we purchase must meet standards required by the law under which we were chartered, which we refer to as the Charter Act. These standards require that the mortgage loans be, in our judgment, of a quality, type and class consistent with the purchase standards imposed by private

institutional mortgage investors. Consistent with those requirements, and with the purposes for which we were chartered, we establish eligibility criteria and policies for the mortgage loans we purchase, for the sellers from whom we purchase loans, and for the servicers who service our mortgage loans.

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Government Insured Loans

Dollar Limitations

The Charter Act sets no maximum dollar limitations on the loans that we can purchase if the loans are government loans.

The maximum loan amount for FHA-insured single-family mortgage loans is established by statute. As of January, 2002, the basic maximum loan amount for most FHA-insured single-family mortgage loans is \$144,336 for a one-unit dwelling, \$184,752 for a two-unit dwelling, \$223,296 for a three-unit dwelling, and \$277,512 for a four-unit dwelling. In high-cost areas, as designated by HUD/FHA, the maximum loan amount may be increased up to \$261,609 for a one-unit dwelling, \$334,863 for a two-unit dwelling, \$404,724 for a three-unit dwelling, and \$502,990 for a four-unit dwelling. In addition, the maximum loan amount for FHA-insured mortgages secured by property located in Alaska, Guam, Hawaii, and the Virgin Islands may be adjusted up to 150% of HUD/FHA's high-cost area limits. We purchase FHA mortgages up to the maximum original principal amount that the FHA will insure for the area in which the property is located.

The VA does not establish a maximum loan amount for VA guaranteed loans secured by single-family one- to four-unit properties. We will purchase VA mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties.

The Rural Housing Service has no maximum dollar limit for loans it guarantees. We will purchase RHS mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties.

Loan-to-Value Ratios

The maximum loan-to-value ratio for FHA-insured and VA-guaranteed mortgage loans we purchase is the maximum established by the FHA or VA for the particular program under which the mortgage was insured or guaranteed. The maximum loan-to-value ratio for RHS guaranteed mortgage loans we purchase is 100%.

Underwriting Guidelines

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

Mortgage Loan Eligibility Standards—Conventional Loans

Dollar Limitations

The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. These limitations, which we refer to as our conforming loan limits, typically are adjusted annually. As of January 1, 2002, our conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is \$300,700, except for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands where it is \$451,050. Our conforming loan limit as of January 1, 2002 for conventional loans secured by first liens on residences containing two dwelling units is \$384,900, three dwelling units is \$465,200 and four dwelling units is \$578,150, except for mortgage loans secured by property in Alaska, Guam, Hawaii, or the Virgin Islands where for two dwelling units it is \$577,350, for three dwelling units it is \$697,800 and for four dwelling units it is \$867,225. Our conforming loan limit for mortgage loans secured by subordinate liens on single-family one- to four-unit residences is 50% of the amount for first lien loans secured by one unit residences, or, as of January 1, 2002, \$150,350, except in Alaska, Guam, Hawaii and the Virgin Islands, where it is \$225,525. In addition, the aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of our first lien conforming loan limit for single-family one- to four-unit residences. Aside from the limits imposed under the Charter Act, we may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase.

Loan-to-Value Ratios

The Charter Act requires that we obtain credit enhancement whenever we purchase a conventional mortgage loan secured by a single-family one- to four-unit residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to us covering the amount in excess of 80%, repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. In our discretion, we may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

Our loan-to-value ratio requirements for loans we purchase vary depending upon a variety of factors which, for example, can include the type of loan, the loan purpose, loan amount, number of dwelling units in the property securing the loan, repayment terms and borrower credit history. Depending upon these factors, the loan-to-value ratio can be as high as 100%.

Underwriting Guidelines

We have established underwriting guidelines for mortgage loans that we purchase. These guidelines are designed to provide a comprehensive analysis of the characteristics of a borrower and a mortgage loan, including such factors as the borrower's credit history, the purpose of the loan, the property value and the loan amount.

We review and change our underwriting guidelines, from time to time, including expanding our underwriting criteria in order to make home loans more accessible to borrowers who are members of groups that have been underserved by mortgage lenders, including low and moderate income families, people with no prior credit history and those with less than perfect credit history, rural residents and people with special housing needs. In our discretion, we may grant waivers from our underwriting guidelines when we purchase any particular mortgage loan.

DESCRIPTION OF THE CERTIFICATES

Book-Entry Procedures

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York and is a member of the U.S. Federal Reserve System, a “clearing corporation” within the

meaning of the New York Uniform Commercial Code and a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes to accounts of DTC participants.

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

A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the DTC 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 DTC 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 DTC Certificates only under the procedures of your financial intermediary and of DTC Participants. In general, ownership of DTC Certificates will be subject to the prevailing rules, regulations and procedures governing the DTC and DTC Participants.

Fed Book-Entry Certificates. The Fed Book-Entry Certificates will be issued and maintained only on the book-entry system of the Federal Reserve Banks. The Fed Book-Entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Fed Book-Entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Fed Book-Entry Certificate, and each other financial intermediary in the chain to the beneficial owner, will have to establish and maintain accounts for their respective customers. A beneficial owner’s rights with respect to us and the Federal Reserve Banks may be exercised only through the Holder of the related Fed Book-Entry Certificate. Neither we nor the Federal Reserve Banks will have any direct obligation to a beneficial owner of a Fed Book-Entry Certificate that is not the Holder of that Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Fed Book-Entry Certificate.

We have a fiscal agency agreement in effect with the Federal Reserve Bank of New York. Under this agreement, the regulations (found at 24 C.F.R. Part 81, Subpart E) that govern our use of the book-entry system and the pledging and transfer of interests apply to the Fed Book-Entry Certificates. These regulations may be modified, amended, supplemented, superseded, eliminated or otherwise altered without the consent of any Certificateholder. The Federal Reserve Banks’ operating circulars and letters also apply. The Fed Book-Entry Certificates are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Certificates maintained on the book-entry system of a Federal Reserve Bank can be separately traded and owned.

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

Our fiscal agent for the Fed Book-Entry Certificates is the Federal Reserve Bank of New York. On each Distribution Date, the Federal Reserve Banks, acting on our behalf, will make payments on the Fed Book-Entry Certificates by crediting Holders' accounts at the Federal Reserve Banks.

Interest Payments on the Certificates

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

<u>Interest Type*</u>	<u>Classes</u>
Group 1 Classes	
Fixed Rate	A1, A2 and A3
Weighted Average Coupon	I1
Interest Only	I1
Principal Only	P1
Group 2 Classes	
Fixed Rate	A4 and A5
Floating Rate	F
Inverse Floating Rate	S
Weighted Average Coupon	I2
Interest Only	S and I2
Principal Only	P2
Group 3 Class	
Weighted Average Coupon	A6
No Payment Residual	R and RL

* See “—Class Definitions and Abbreviations” below.

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

Interest to be paid on each interest-bearing Certificate on each Distribution Date will consist of one month's interest on the outstanding principal balance of that Certificate immediately prior to that Distribution Date.

Interest Accrual Periods. Interest to be paid on each Distribution Date will accrue on the Certificates during the applicable one-month periods set forth below (each, an “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Period</u>
All interest-bearing Classes other than the F and S Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
The F and S Classes	One-month period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs

See “Risk Factors—*Delayed payments reduce yield and market value*” in this prospectus.

The Dealer will treat the P1 and P2 Classes as Delay Classes solely for the purpose of facilitating trading.

Notional Classes. The Notional Classes will not have principal balances. During each Interest Accrual Period, the Notional Classes will bear interest on their notional principal balances at their

applicable interest rates. The notional principal balances of the Notional Classes will be calculated as specified under “Reference Sheet—Notional Classes” in this prospectus.

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

Floating Rate and Inverse Floating Rate Classes. During each Interest Accrual Period, the Floating Rate and Inverse Floating Rate Classes will bear interest at rates determined as described under “Reference Sheet—Interest Payments” in this prospectus.

Changes in the specified interest rate index (the “Index”) will affect the yields with respect to the related Classes. These changes may not correspond to changes in mortgage interest rates. Lower mortgage interest rates could occur while an increase in the level of the Index occurs. Similarly, higher mortgage interest rates could occur while a decrease in the level of the Index occurs.

Our establishment of each Index value and our determination of the interest rate for each applicable Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627 or 202-752-6547.

Weighted Average Coupon Classes. During the initial Interest Accrual Period, we expect the I1 Class to bear interest at the approximate annual rate of 0.37049%. During each subsequent Interest Accrual Period, the I1 Class will bear interest at an annual rate equal to the weighted average of the *excess*, if any, of the Net Mortgage Rate of every Category 1-II and Category 1-III Loan, weighted on the basis of their Stated Principal Balances as of the beginning of that period, *over* (i) 6.71% in the case of the Category 1-II Loans and (ii) 7.50% in the case of the Category 1-III Loans.

During the initial Interest Accrual Period, we expect the I2 Class to bear interest at the approximate annual rate of 0.13019%. During each subsequent Interest Accrual Period, the I2 Class will bear interest at an annual rate equal to the weighted average of the *excess*, if any, of the Net Mortgage Rate of every Category 2-II, Category 2-IV and Category 2-VI Loan, weighted on the basis of their Stated Principal Balances as of the beginning of that period, *over* (i) 7.00% in the case of the Category 2-II and Category 2-IV Loans and (ii) 8.50% in the case of the Category 2-VI Loans.

For a description of certain capitalized terms used in this section, see “—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

During the initial Interest Accrual Period, we expect the A6 Class to bear interest at the approximate annual rate of 6.44306%. During each subsequent Interest Accrual Period, the A6 Class will bear interest at an annual rate equal to the weighted average of the Net Mortgage Rates of the Group 3 Loans during that period, weighted on the basis of their Stated Principal Balances as of the beginning of that period.

Our determination of the interest rates for the I1, I2 and A6 Classes for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627 or 202-752-6547.

Calculation of One-Month LIBOR

General. The “Index Determination Date” for each Floating Rate and Inverse Floating Rate Class means the second business day before the first day of each Interest Accrual Period (or, in the case of the initial Interest Accrual Period, July 23, 2002). For purposes of calculating One-Month LIBOR, the term “business day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

We are responsible for calculating One-Month LIBOR on each Index Determination Date using the method described below.

Calculation Method. We will calculate One-Month LIBOR on each Index Determination Date based on the Interest Settlement Rate of the British Bankers' Association ("BBA") for one-month U.S. dollar deposits. The "Interest Settlement Rate" is found on Telerate Page 3750 as of 11:00 a.m. (London time) on that date. Currently, it is based on rates quoted by 16 BBA-designated banks as being, in their view, the offered rate at which these deposits are being quoted to prime banks in the London interbank market. The Interest Settlement Rate is calculated by eliminating the four highest rates and the four lowest rates, averaging the eight remaining rates, carrying the percentage result to six decimal places and rounding to five decimal places.

If we are unable to use the method described above, we will calculate One-Month LIBOR using the quotations for one-month U.S. dollar deposits offered by the principal London office of each of the Reference Banks (as defined below) as of 11:00 a.m. (London time) on each Index Determination Date. We may rely on these quotations as they appear on the Reuters Screen LIBO Page (as defined in the *International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps*, 1986 Edition). Alternatively, we may obtain them directly from the Reference Banks.

Under this method, One-Month LIBOR is calculated on each Index Determination Date as follows:

- If at least two Reference Banks are making quotations, One-Month LIBOR for the next Interest Accrual Period shall be the arithmetic mean of those quotations (rounded upwards, if necessary, to the nearest $\frac{1}{32}$ of 1%).
- Otherwise, One-Month LIBOR for the next Interest Accrual Period shall be the One-Month LIBOR that was determined on the previous Index Determination Date or the Reserve Interest Rate, whichever is higher.

The "Reserve Interest Rate" means the annual rate that we determine as the arithmetic mean (rounded upwards, if necessary, to the nearest $\frac{1}{32}$ of 1%) of the one-month U.S. dollar lending rates that New York City banks (which we select) are then quoting to the principal London offices of at least two of the Reference Banks. If we cannot establish the arithmetic mean, then the Reserve Interest Rate is the lowest one-month U.S. dollar lending rate that New York City banks (which we select) are then quoting to leading European banks. The term "Reference Bank" means a leading bank (that we do not control either solely or with a third party) which engages in Eurodollar deposit transactions in the international Eurocurrency market.

If we are unable to calculate LIBOR on the initial Index Determination Date, LIBOR for the following Interest Accrual Period will be equal to 1.84%.

Principal Payments on the Certificates

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

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

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

<u>Principal Type*</u>	<u>Classes</u>
Group 1 Classes	
Pass-Through	A1, A2, A3 and P1
Notional	I1
Group 2 Classes	
Pass-Through	A4, A5, F and P2
Notional	I2 and S
Group 3 Class	
Pass-Through	A6
No Payment Residual	R and RL

* See “—Class Definitions and Abbreviations.”

Principal Distribution Amount

Group 1 Principal Distribution Amount

On the Distribution Date in each month, we will pay principal in an aggregate amount (the “Group 1 Principal Distribution Amount”) equal to the sum of the following:

- the P1 Principal Distribution Amount,
- the Category 1-I Non-PO Principal Distribution Amount,
- the Category 1-II Principal Distribution Amount, and
- the Category 1-III Principal Distribution Amount.

On each Distribution Date, we will pay the P1 Principal Distribution Amount as principal of the P1 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 1-I Non-PO Principal Distribution Amount and the Category 1-II Principal Distribution Amount, concurrently, as principal of the A1 and A2 Classes, pro rata (or 58.0000002859% and 41.9999997141%, respectively), until their principal balances are reduced to zero.

On each Distribution Date, we will pay the Category 1-III Principal Distribution Amount as principal of the A3 Class, until its principal balance is reduced to zero.

} Pass-Through
Classes

We will include principal prepayments on the Group 1 Loans (including net liquidation proceeds) in amounts paid as principal of the Group 1 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 1 Loans on the next Distribution Date.

Group 2 Principal Distribution Amount

On the Distribution Date in each month, we will pay principal in an aggregate amount (the “Group 2 Principal Distribution Amount”) equal to the sum of the following:

- the P2 Principal Distribution Amount,
- the Category 2-I Non-PO Principal Distribution Amount,
- the Category 2-III Non-PO Principal Distribution Amount,

- the Category 2-V Non-PO Principal Distribution Amount,
- the Category 2-II Principal Distribution Amount,
- the Category 2-IV Principal Distribution Amount, and
- the Category 2-VI Principal Distribution Amount.

On each Distribution Date, we will pay the P2 Principal Distribution Amount as principal of the P2 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 2-I Non-PO Principal Distribution Amount and the Category 2-II Principal Distribution Amount as principal of the A4 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 2-III Non-PO Principal Distribution Amount and the Category 2-IV Principal Distribution Amount as principal of the A5 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 2-V Non-PO Principal Distribution Amount and the Category 2-VI Principal Distribution Amount as principal of the F Class, until its principal balance is reduced to zero.

Pass-Through
Classes

We will include principal prepayments on the Group 2 Loans (including net liquidation proceeds) in amounts paid as principal of the Group 2 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 “References 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 A6 Class, until its principal balance is reduced to zero. See “—Certain Definitions Relating to Payments on the Certificates” below.

Pass-Through
Class

Certain Definitions Relating to Payments on the Certificates

Category 1-I Loans. Group 1 Loans having Net Mortgage Rates lower than 6.71%.

Category 1-I Non-PO Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 1-I Loans, without duplication:

- the Group 1 Non-PO Percentage of the monthly payment of principal due on each Category 1-I Loan during the related Due Period, *plus*
- the Group 1 Non-PO Percentage of the Stated Principal Balance of each Category 1-I Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Group 1 Non-PO Percentage of the Stated Principal Balance of each Category 1-I Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the Group 1 Non-PO Percentage of any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Category 1-I Loan.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 1-II Loans. Group 1 Loans having Net Mortgage Rates ranging from 6.71% to, but not including, 7.50%.

Category 1-II Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 1-II Loans, without duplication:

- the monthly payment of principal due on each Category 1-II Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1-II Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1-II Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Category 1-II Loan.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 1-III Loans. Group 1 Loans having Net Mortgage Rates equal to or greater than 7.50%.

Category 1-III Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 1-III Loans, without duplication:

- the monthly payment of principal due on each Category 1-III Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1-III Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1-III Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Category 1-III Loan.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 2-I Loans. Group 2 Loans having original maturities of 15 years and Net Mortgage Rates lower than 7.00%.

Category 2-I Non-PO Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-I Loans, without duplication:

- the applicable Group 2 Non-PO Percentage of the monthly payment of principal due on each Category 2-I Loan during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of the Stated Principal Balance of each Category 2-I Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of the Stated Principal Balance of each Category 2-I Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of any partial or full principal payment reported as having been received from borrowers on any Category 2-I Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 2-II Loans. Group 2 Loans having original maturities of 15 years and Net Mortgage Rates equal to or greater than 7.00%.

Category 2-II Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-II Loans, without duplication:

- the monthly payment of principal due on each Category 2-II Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2-II Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2-II Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal payment reported as having been received from borrowers on any Category 2-II Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 2-III Loans. Group 2 Loans having original maturities of 30 years and Net Mortgage Rates lower than 7.00%.

Category 2-III Non-PO Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-III Loans, without duplication:

- the applicable Group 2 Non-PO Percentage of the monthly payment of principal due on each Category 2-III Loan during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of the Stated Principal Balance of each Category 2-III Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of the Stated Principal Balance of each Category 2-III Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of any partial or full principal payment reported as having been received from borrowers on any Category 2-III Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 2-IV Loans. Group 2 Loans having original maturities of 30 years and Net Mortgage Rates equal to or greater than 7.00% and lower than 7.50%.

Category 2-IV Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-IV Loans, without duplication:

- the monthly payment of principal due on each Category 2-IV Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2-IV Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*

- the Stated Principal Balance of each Category 2-IV Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal payment reported as having been received from borrowers on any Category 2-IV Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 2-V Loans. Group 2 Loans having original maturities of 30 years and Net Mortgage Rates equal to or greater than 7.50% and lower than 8.50%.

Category 2-V Non-PO Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-V Loans, without duplication.

- the applicable Group 2 Non-PO Percentage of the monthly payment of principal due on each Category 2-V Loan during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of the Stated Principal Balance of each Category 2-V Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of the Stated Principal Balance of each Category 2-V Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the applicable Group 2 Non-PO Percentage of any partial or full principal payment reported as having been received from borrowers on any Category 2-V Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

Category 2-VI Loans. Group 2 Loans having original maturities of 30 years and Net Mortgage Rates equal to or greater than 8.50%.

Category 2-VI Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-VI Loans, without duplication:

- the monthly payment of principal due on each Category 2-VI Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2-VI Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 2-VI Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal payment reported as having been received from borrowers on any Category 2-VI Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

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.

Group 1 Non-PO Percentage. For any Category 1-I Loan, the related Net Mortgage Rate *divided* by 6.71%, expressed as a percentage.

Group 1 PO Percentage. For any Category 1-I Loan, (6.71% *minus* the related Net Mortgage Rate) *divided* by 6.71%, expressed as a percentage.

Group 2 Non-PO Percentage. For any Category 2-I or Category 2-III Loan, the related Net Mortgage Rate *divided* by 7.00%, expressed as a percentage. For any Category 2-V Loan, the related Net Mortgage Rate *divided* by 8.50%, expressed as a percentage.

Group 2 PO Percentage. For any Category 2-I or Category 2-III Loan, (7.00% *minus* the related Net Mortgage Rate) *divided* by 7.00%, expressed as a percentage. For any Category 2-V Loan, (8.50% *minus* the related Net Mortgage Rate) *divided* by 8.50%, expressed as a percentage.

Group 3 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Group 3 Loans, without duplication:

- the monthly payment 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 related Due Period, *plus*
- the Stated Principal Balance of each Group 3 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Group 3 Loan.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

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

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

P1 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 1-I Loans, without duplication:

- the Group 1 PO Percentage of the monthly payment of principal due on each Category 1-I Loan during the related Due Period, *plus*
- the Group 1 PO Percentage of the Stated Principal Balance of each Category 1-I Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Group 1 PO Percentage of the Stated Principal Balance of each Category 1-I Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the Group 1 PO Percentage of any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Category 1-I Loan.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

P2 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 2-I, Category 2-III and Category 2-V Loans, without duplication:

- the applicable Group 2 PO Percentage of the monthly payment of principal due on each Category 2-I, Category 2-III and Category 2-V Loan during the related Due Period, *plus*
- the applicable Group 2 PO Percentage of the Stated Principal Balance of each Category 2-I, Category 2-III and Category 2-V Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the applicable Group 2 PO Percentage of the Stated Principal Balance of each Category 2-I, Category 2-III and Category 2-V Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the applicable Group 2 PO Percentage of any partial or full principal payment reported as having been received from borrowers on any Category 2-I, Category 2-III and Category 2-V Loan during the related Due Period.

The related subservicer may apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the month in which the Distribution Date occurs, rather than during the related Due Period.

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

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

Class Definitions and Abbreviations

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

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
INTEREST TYPES		
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
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.
NPR	No Payment Residual	Receives no payments of interest.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.
PRINCIPAL TYPES		
NPR	No Payment Residual	Receives no payments of principal.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on some or all of the related mortgage loans.

Special Characteristics of the R and RL Classes

The R and RL Classes will not have principal balances and will not bear interest. If any assets of the Upper Tier REMIC remain after the principal balances of the Group 2 Classes are reduced to zero, we will pay the Holder of the R Class the proceeds of those assets. If any assets of the Lower Tier REMIC remain after the principal balances of the Group 2 Classes are reduced to zero, we will pay the proceeds of those assets to the Holder of the RL Class. We do not expect that any material assets will remain in either case.

No R or RL Certificate may be transferred to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which the R or RL Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is not a disqualified organization,
- it is not acquiring the R or RL Certificate for the account of a disqualified organization,
- it consents to any amendment of the Trust Agreement that we deem necessary (upon the advice of our counsel) to ensure that the R or RL Certificate will not be owned directly or indirectly by a disqualified organization,
- it is not acquiring the R or RL Certificate to avoid or impede the assessment or collection of tax,
- it understands that it may incur tax liabilities in excess of any cash that it will receive on the R or RL Certificate,
- it intends to pay taxes on the R or RL Certificate as they become due, and
- it will not transfer the R or RL Certificate unless it has received from the new transferee an affidavit containing these same seven representations and it does not have actual knowledge that this other affidavit is false.

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of a Residual Certificate—Sales and Other Dispositions of a Residual Certificate—Residual Certificate Transferred to or Held by Disqualified Organizations*” in this prospectus. The transferee also must deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number.

The affidavit must also state that the transferee is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate and that, if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate.

No R or RL Certificate may be transferred to any person that is not a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate without our written consent. The term “U.S. Person” means

- a citizen or resident of the United States,
- a corporation, partnership or other entity created 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 one or more United States persons have the authority to control all substantial decisions of the trust.

Under regulations issued by the Treasury Department (the “Regulations”), if a “noneconomic residual interest” is transferred, the transfer will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R and RL Classes will constitute noneconomic residual interests under the Regulations.

Under the Regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection to tax” means that the transferor of the R or RL Class had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be willing or unable to pay taxes due on its share of the taxable income of the REMIC trust. A transferor is presumed not to have improper knowledge if two conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above.

The Treasury Department has proposed an amendment to the Regulations that would add a third condition, effective February 4, 2000. According to the proposed amendment, a transferor of the R or RL Class would be presumed not to have improper knowledge only if the present value of the anticipated tax liabilities associated with holding the R or RL Class is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the R or RL Class, (ii) expected future distributions on the R or RL Class, and (iii) anticipated tax savings associated with holding the R or RL Class as the related REMIC trust generates losses. The application of the proposed amendment to an actual transfer is uncertain, and you should consult your own tax advisor regarding its effect on the transfer of the R or RL Class.

The IRS has since issued a Revenue Procedure creating a safe harbor that may be used for transfers of noneconomic residual interests pending the finalization of the proposed amendment. Under this safe harbor, a transferor of a noneconomic residual interest will be presumed not to have

improper knowledge if, in addition to meeting the two conditions contained in the Regulations, either (i) the terms of the proposed amendment are complied with or (ii) the transferee's gross assets exceed \$100 million and its net assets exceed \$10 million (in each case, at the time of the transfer and at the close of each of the transferee's two fiscal years preceding the year of transfer), the transferee is an "eligible corporation" as defined in section 860L(a)(2) of the Code, the transferee agrees in writing that any subsequent transfer of the residual interest will be to an eligible corporation and will comply with the safe harbor, and the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid. The Revenue Procedure contains additional details regarding its application, and you should consult your own tax advisor regarding the application of the Revenue Procedure to an actual transfer of the R or RL Class.

The Treasury Department has recently adopted final regulations regarding the safe harbor for transfers of noneconomic residual interests (the "Final Regulations"). The Final Regulations adopt the two safe harbors set forth in the Revenue Procedure, with several modifications. Under the Final Regulations, the safe harbor applies only if the transferee represents that income from the Residual Certificate will not be attributed to a foreign permanent establishment or fixed base of the transferee or another U.S. taxpayer. Other modifications are made to the manner for determining the adequacy of any inducement payment to be made to the transferee. The Final Regulations generally apply to transfers of noneconomic residual interests occurring on or after February 4, 2000, and thus will apply to transfers of an R or RL Certificate. However, to the extent provided in the Final Regulations, taxpayers generally can continue to rely on the Revenue Procedure for transfers occurring before August 19, 2002. The Final Regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the Final Regulations to a transfer of a Residual Certificate.

The Holder of the R Class will be considered to be the holder of the "residual interest" in the REMIC constituted by the Upper Tier REMIC, and the Holder of the RL Class will be considered to be the holder of the "residual interest" in the REMIC constituted by the Lower Tier REMIC. See "Certain Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes." Pursuant to the Trust Agreement we will be obligated to provide to the Holder or Holders of the R and RL Classes (i) information that they need to prepare their federal income tax returns and (ii) any reports regarding the R or RL Class that may be required under the Code.

Structuring Assumptions

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

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the CPR levels specified in the related table;
- 1 year CMT is equal to 2.36%;
- the Servicer does not exercise its repurchase options;
- the settlement date for the sale of the Certificates occurs on July 30, 2002; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in August 2002.

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus is the "Constant Prepayment Rate" or "CPR" model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of

mortgage loans. *This model does not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.*

Yield Tables

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

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

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

We cannot assure you that

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

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

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

The I1 and I2 Classes. The yields to investors in the I1 and I2 Classes will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. Except with respect to approximately 35.59% of the Group 2 Loans, the Mortgage Loans can be prepaid by the related borrowers with no prepayment premium. On the basis of the assumptions described below, the yield to maturity on the I1 and I2 Classes would be 0% if prepayments of the related Mortgage Loans were to occur at the constant rates shown in the table below:

<u>Class</u>	<u>% CPR</u>
I1.....	13%
I2.....	37%

For either Class, if the actual prepayment rate of the related Mortgage Loans were to exceed the level specified for as little as one month while equaling that level for the remaining months, the investors in the applicable Class would lose money on their initial investments.

We cannot assure you that:

- the related Mortgage Loans will prepay at any of the assumed rates in this prospectus or at any other particular rate;

- the pre-tax yields on the I1 and I2 Classes will correspond to any of the pre-tax yields shown in this prospectus; or
- the aggregate purchase prices of the I1 and I2 Classes will be the prices assumed below.

The information shown in the following yield tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the I1 and I2 Classes (expressed in each case as a percentage of the original notional principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
I1	2.156250%
I2	0.265625%

* The prices do not include accrued interest. Accrued interest has been added to the prices in calculating the yields set forth in the tables below.

Sensitivity of the I1 Class to Prepayments

	<u>% of CPR</u>				
	<u>5%</u>	<u>10%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>
Pre-Tax Yields to Maturity	8.7%	3.3%	(2.4)%	(14.2)%	(26.9)%

Sensitivity of the I2 Class to Prepayments

	<u>% of CPR</u>				
	<u>5%</u>	<u>10%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>
Pre-Tax Yields to Maturity	44.8%	38.5%	25.3%	11.2%	(3.9)%

***The S Class.* The yield on the S Class will be sensitive to the rate of principal payments, including prepayments, of the Group 2 Loans and to the level of the Index. Approximately 64.41% of the Group 2 Loans can be prepaid at anytime without penalty.**

As illustrated in the table below, it is possible that investors in the S Class would lose money on their initial investments under certain Index and prepayment scenarios.

Changes in the Index may not correspond to changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur while the level of the Index increased.

The information shown in the yield table has been prepared on the basis of the Pricing Assumptions and the assumptions that

- the interest rate for the S Class for the initial Interest Accrual Period is the rate listed in the table under “Reference Sheet—Interest Payments” in this prospectus and for each following Interest Accrual Period will be based on the specified level of the Index, and
- the aggregate purchase price of the S Class (expressed as a percentage of the original principal balance) is 10.875%.

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 S Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>				
	<u>5%</u>	<u>10%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>
0.84%	68.5%	61.7%	47.3%	32.1%	15.6%
1.84%	57.5%	50.9%	37.1%	22.3%	6.5%
3.84%	36.1%	29.9%	17.1%	3.5%	(11.2)%
5.84%	15.4%	9.8%	(2.0)%	(14.6)%	(28.2)%
8.10%	*	*	*	*	*

* The pre-tax yield to maturity would be less than (99.9)%.

The Principal Only Classes. **The Principal Only Classes will not bear interest. As indicated in the applicable table below, a low rate of principal payments (including prepayments) on the Category 1-I Loans will have a negative effect on the yield to investors in the P1 Class. Similarly, a low rate of principal payments (including prepayments) on the Category 2-I, Category 2-III or Category 2-V Loans will have a negative effect on the yield to investors in the P2 Class.**

The information shown in the following yield tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the P1 and P2 Classes (expressed in each case as a percentage of the original principal balance) are as follows:

<u>Class</u>	<u>Price</u>
P1	68.0%
P2	68.0%

Sensitivity of the P1 Class to Prepayments

	<u>% of CPR</u>				
	<u>5%</u>	<u>10%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>
Pre-Tax Yields to Maturity	4.1%	6.2%	8.8%	14.7%	21.8%

Sensitivity of the P2 Class to Prepayments

	<u>% of CPR</u>				
	<u>5%</u>	<u>10%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>
Pre-Tax Yields to Maturity	3.8%	6.0%	11.4%	17.9%	25.6%

Weighted Average Lives of the Certificates

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

(a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date,

(b) summing the results, and

(c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

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

Maturity Considerations and Final Distribution Date

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

The “Final Distribution Date” for each Class of Certificates is the date by which the principal balance of that Class is required to be fully paid and is specified on the cover of this prospectus. The Final Distribution Date of the Certificates will be determined so that distributions on the Mortgage Loans will be sufficient to retire the Classes of Certificates on or before the Final Distribution Date without the necessity of any call on our guaranty.

Decrement Tables

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

It is *unlikely* that all the Mortgage Loans:

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

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

Percent of Original Principal Balances Outstanding

Date	A1 Class										A2 Class				
	CPR Prepayment Assumption										CPR Prepayment Assumption				
	0%	5%	10%	15%	20%	25%	30%	35%	40%	50%	0%	10%	15%	25%	35%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	99	94	89	84	79	74	69	64	59	49	99	89	84	74	64
July 2004	97	88	79	70	62	55	48	41	35	24	97	79	70	55	41
July 2005	96	82	70	59	49	40	33	26	21	12	96	70	59	40	26
July 2006	94	77	62	49	38	30	23	17	12	6	94	62	49	30	17
July 2007	92	71	54	41	30	22	15	11	7	3	92	54	41	22	11
July 2008	90	66	48	34	24	16	11	7	4	1	90	48	34	16	7
July 2009	88	62	42	28	18	12	7	4	2	1	88	42	28	12	4
July 2010	86	57	37	23	14	9	5	3	1	*	86	37	23	9	3
July 2011	83	53	32	19	11	6	3	2	1	*	83	32	19	6	2
July 2012	81	48	28	16	9	5	2	1	*	*	81	28	16	5	1
July 2013	78	44	24	13	7	3	2	1	*	*	78	24	13	3	1
July 2014	75	41	21	11	5	2	1	*	*	*	75	21	11	2	*
July 2015	72	37	18	9	4	2	1	*	*	*	72	18	9	2	*
July 2016	68	33	16	7	3	1	*	*	*	*	68	16	7	1	*
July 2017	64	30	13	6	2	1	*	*	*	*	64	13	6	1	*
July 2018	60	27	11	4	2	1	*	*	*	*	60	11	4	1	*
July 2019	56	23	9	4	1	*	*	*	*	*	56	9	4	*	*
July 2020	51	20	8	3	1	*	*	*	*	*	51	8	3	*	*
July 2021	46	17	6	2	1	*	*	*	*	*	46	6	2	*	*
July 2022	41	15	5	2	*	*	*	*	*	*	41	5	2	*	*
July 2023	35	12	4	1	*	*	*	*	*	*	35	4	1	*	*
July 2024	28	9	3	1	*	*	*	*	*	*	28	3	1	*	*
July 2025	21	7	2	1	*	*	*	*	*	*	21	2	1	*	*
July 2026	14	4	1	*	*	*	*	*	*	*	14	1	*	*	*
July 2027	6	2	*	*	*	*	*	*	*	0	6	*	*	*	*
July 2028	2	*	*	*	*	*	*	*	*	0	2	*	*	*	*
July 2029	*	*	*	*	*	*	*	*	0	0	*	*	*	*	*
July 2030	*	*	*	*	*	*	0	0	0	0	*	*	*	*	0
July 2031	*	*	*	*	*	0	0	0	0	0	*	*	*	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	16.8	10.7	7.3	5.4	4.1	3.3	2.7	2.3	1.9	1.4	16.8	7.3	5.4	3.3	2.3

Date	A3 Class					P1 Class					I1† Class					A4 Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	10%	15%	25%	35%	0%	10%	15%	25%	35%	0%	10%	15%	25%	35%	0%	10%	20%	30%	40%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	99	89	84	74	64	99	89	84	74	64	99	89	84	74	64	98	88	78	69	59
July 2004	97	79	70	55	41	97	79	70	55	41	97	79	70	55	41	96	78	61	47	34
July 2005	96	70	59	40	26	95	69	59	40	26	96	70	59	40	26	93	68	48	32	20
July 2006	94	61	49	30	17	94	61	49	30	17	94	62	49	30	17	91	60	37	22	12
July 2007	92	54	41	22	11	92	54	41	22	11	92	54	41	22	11	88	52	29	15	7
July 2008	90	48	34	16	7	90	48	34	16	7	90	48	34	16	7	85	45	22	10	4
July 2009	87	42	28	12	4	87	42	28	12	4	88	42	28	12	4	82	39	17	7	2
July 2010	85	36	23	8	3	85	37	23	9	3	86	37	23	9	3	78	34	13	5	1
July 2011	82	32	19	6	2	82	32	19	6	2	83	32	19	6	2	75	29	10	3	1
July 2012	79	27	16	4	1	80	28	16	4	1	80	28	16	5	1	70	25	8	2	*
July 2013	76	24	13	3	1	77	24	13	3	1	77	24	13	3	1	66	21	6	1	*
July 2014	72	20	10	2	*	74	21	10	2	*	74	21	11	2	*	61	17	4	1	*
July 2015	68	17	8	2	*	70	18	9	2	*	71	18	9	2	*	56	14	3	1	*
July 2016	64	15	7	1	*	67	15	7	1	*	67	15	7	1	*	51	12	2	*	*
July 2017	59	12	5	1	*	63	13	6	1	*	63	13	5	1	*	0	0	0	0	0
July 2018	54	10	4	1	*	59	11	4	1	*	59	11	4	1	*	0	0	0	0	0
July 2019	49	8	3	*	*	55	9	3	*	*	54	9	3	*	*	0	0	0	0	0
July 2020	44	7	2	*	*	50	8	3	*	*	49	7	3	*	*	0	0	0	0	0
July 2021	39	5	2	*	*	45	6	2	*	*	44	6	2	*	*	0	0	0	0	0
July 2022	33	4	1	*	*	40	5	2	*	*	38	5	1	*	*	0	0	0	0	0
July 2023	27	3	1	*	*	34	4	1	*	*	32	4	1	*	*	0	0	0	0	0
July 2024	21	2	1	*	*	28	3	1	*	*	26	3	1	*	*	0	0	0	0	0
July 2025	14	1	*	*	*	21	2	1	*	*	19	2	*	*	*	0	0	0	0	0
July 2026	7	1	*	*	*	14	1	*	*	*	12	1	*	*	*	0	0	0	0	0
July 2027	3	*	*	*	*	7	*	*	*	*	5	*	*	*	*	0	0	0	0	0
July 2028	1	*	*	*	*	2	*	*	*	*	1	*	*	*	*	0	0	0	0	0
July 2029	0	0	0	0	0	*	*	*	*	*	*	*	*	*	*	0	0	0	0	0
July 2030	0	0	0	0	0	*	*	*	*	0	*	*	*	*	0	0	0	0	0	0
July 2031	0	0	0	0	0	*	*	*	*	0	*	*	*	0	0	0	0	0	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	15.8	7.2	5.3	3.3	2.3	16.6	7.3	5.3	3.3	2.3	16.5	7.3	5.4	3.3	2.3	11.5	6.3	3.9	2.6	1.9

* 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.

Date	A5 Class					F and S† Classes					P2 Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	10%	20%	30%	40%	0%	10%	20%	30%	40%	0%	10%	20%	30%	40%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	99	89	79	69	59	99	89	79	70	60	99	89	79	69	59
July 2004	98	80	63	48	35	99	80	63	48	35	98	79	62	48	35
July 2005	97	71	50	33	21	98	71	50	34	21	96	70	49	33	21
July 2006	96	63	39	23	12	97	63	40	23	13	95	62	39	23	12
July 2007	95	56	31	16	7	96	57	31	16	7	93	55	31	16	7
July 2008	94	50	25	11	4	95	50	25	11	4	92	49	24	11	4
July 2009	92	44	19	8	3	93	45	20	8	3	90	43	19	7	3
July 2010	91	39	15	5	2	92	40	15	5	2	88	38	15	5	1
July 2011	89	34	12	4	1	91	35	12	4	1	86	33	12	3	1
July 2012	87	30	9	2	1	89	31	10	3	1	84	29	9	2	1
July 2013	85	27	7	2	*	87	27	8	2	*	81	25	7	2	*
July 2014	83	23	6	1	*	86	24	6	1	*	78	22	5	1	*
July 2015	81	21	4	1	*	83	21	5	1	*	76	19	4	1	*
July 2016	79	18	3	1	*	81	19	4	1	*	72	17	3	*	*
July 2017	76	16	3	*	*	79	16	3	*	*	68	14	2	*	*
July 2018	73	14	2	*	*	76	14	2	*	*	66	12	2	*	*
July 2019	70	12	2	*	*	73	12	2	*	*	63	11	1	*	*
July 2020	67	10	1	*	*	70	10	1	*	*	60	9	1	*	*
July 2021	63	9	1	*	*	66	9	1	*	*	57	8	1	*	*
July 2022	59	7	1	*	*	62	8	1	*	*	53	6	1	*	*
July 2023	55	6	1	*	*	58	6	1	*	*	49	5	*	*	*
July 2024	50	5	*	*	*	54	5	*	*	*	45	4	*	*	*
July 2025	45	4	*	*	*	49	4	*	*	*	41	4	*	*	*
July 2026	40	3	*	*	*	43	3	*	*	*	36	3	*	*	*
July 2027	34	2	*	*	*	37	3	*	*	*	31	2	*	*	*
July 2028	28	2	*	*	*	30	2	*	*	*	25	2	*	*	*
July 2029	21	1	*	*	*	23	1	*	*	*	19	1	*	*	*
July 2030	13	1	*	*	*	15	1	*	*	*	12	1	*	*	*
July 2031	5	*	*	*	*	6	*	*	*	*	5	*	*	*	*
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	20.2	7.9	4.3	2.7	1.9	20.8	8.0	4.3	2.8	2.0	19.1	7.6	4.2	2.7	1.9

Date	I2† Class					A6 Class (to call)					A6 Class (to maturity)				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	10%	20%	30%	40%	0%	10%	25%	35%	50%	0%	10%	25%	35%	50%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	99	89	79	69	59	98	88	74	64	49	98	88	74	64	49
July 2004	98	79	63	48	35	96	78	54	41	24	96	78	54	41	24
July 2005	97	71	50	33	21	93	68	39	26	12	93	68	39	26	12
July 2006	96	63	39	23	12	91	59	29	16	6	91	59	29	16	6
July 2007	94	56	31	16	7	88	52	21	10	0	88	52	21	10	3
July 2008	93	49	24	11	4	85	45	15	6	0	85	45	15	6	1
July 2009	91	44	19	8	3	82	39	11	0	0	82	39	11	4	1
July 2010	89	38	15	5	2	78	34	8	0	0	78	34	8	2	*
July 2011	88	34	12	4	1	75	29	6	0	0	75	29	6	2	*
July 2012	85	30	9	2	1	71	25	0	0	0	71	25	4	1	*
July 2013	83	26	7	2	*	67	21	0	0	0	67	21	3	1	*
July 2014	81	23	6	1	*	63	18	0	0	0	63	18	2	*	*
July 2015	78	20	4	1	*	59	15	0	0	0	59	15	1	*	*
July 2016	76	17	3	1	*	55	13	0	0	0	55	13	1	*	*
July 2017	67	14	2	*	*	50	10	0	0	0	50	10	1	*	*
July 2018	65	12	2	*	*	45	8	0	0	0	45	8	*	*	*
July 2019	62	10	1	*	*	40	7	0	0	0	40	7	*	*	*
July 2020	59	9	1	*	*	35	5	0	0	0	35	5	*	*	*
July 2021	56	8	1	*	*	29	0	0	0	0	29	4	*	*	*
July 2022	53	6	1	*	*	23	0	0	0	0	23	3	*	*	*
July 2023	49	5	*	*	*	17	0	0	0	0	17	2	*	*	*
July 2024	45	4	*	*	*	10	0	0	0	0	10	1	*	*	0
July 2025	40	4	*	*	*	0	0	0	0	0	4	*	*	*	0
July 2026	36	3	*	*	*	0	0	0	0	0	0	0	0	0	0
July 2027	30	2	*	*	*	0	0	0	0	0	0	0	0	0	0
July 2028	25	2	*	*	*	0	0	0	0	0	0	0	0	0	0
July 2029	19	1	*	*	*	0	0	0	0	0	0	0	0	0	0
July 2030	12	1	*	*	*	0	0	0	0	0	0	0	0	0	0
July 2031	5	*	*	*	*	0	0	0	0	0	0	0	0	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	19.2	7.7	4.2	2.7	1.9	14.0	6.6	3.1	2.1	1.4	14.1	6.8	3.2	2.2	1.4

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

** Determined as specified under “—Weighted Average Lives of the Certificates” above.

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

THE TRUST AGREEMENT

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

Transfer of Mortgage Loans to the Trust

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

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

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

Servicing Through Lenders

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

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

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

Distributions on Mortgage Loans; Deposits in the Certificate Account

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

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

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

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

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

Reports to Certificateholders

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

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

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

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

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

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

Collection and Other Servicing Procedures

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

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

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

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

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

Subject to the limitations discussed below, we may:

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

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

Each Group 1 and Group 3 Loan either will contain a “due-on-sale” clause or will be assumable upon the sale of the related Mortgaged Property, subject generally to the purchaser’s compliance with credit and underwriting guidelines.

If for any reason we are not required to accelerate the maturity of a Group 1 or Group 3 Loan upon the transfer, or prospective transfer, of title to the related mortgaged property, we may release the borrower from liability on the related loan and impose that liability on the transferee, provided that no such transaction will provide for reduction of the mortgage interest rate.

Certain Matters Regarding Fannie Mae

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

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

The Trust Agreement also provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the Trust Agreement. On the other hand, we may decide to participate in legal actions if we think our

participation would be in the interests of the Certificateholders. In this case, we will pay our legal expenses and costs.

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

Repurchase of Certain Group 1 or Group 3 Loans by Servicer If Mortgage Loans Are Modified

Under certain circumstances, the terms of the Group 1 and Group 3 Loans may be modified by the Servicer. If the Servicer modifies the terms of any Group 1 or Group 3 Loan that is 120 days or more contractually delinquent as of the Issue Date, it must repurchase that loan from the Trust at a price equal to the outstanding Stated Principal Balance plus one month's interest at the applicable Mortgage Interest Rate.

In the event that the Servicer fails to repurchase any such modified Group 1 or Group 3 Loan, Fannie Mae, acting in its corporate capacity, has the option to repurchase that loan at a price equal to its outstanding Stated Principal Balance plus one month's interest at the applicable Mortgage Interest Rate.

Repurchase of Group 1 or Group 3 Loans by Seller or Fannie Mae

Under the circumstances described above under "The Mortgage Loans—Group 1 Loans" and "—Group 3 Loans," the Seller is required to repurchase from the Trust certain Group 1 or Group 3 Loans that are 90 days or more delinquent. In addition, under certain limited circumstances, the Mortgage Interest Rates on the Group 1 or Group 3 Loans may be reduced. In the event of any such reduction, the Seller will be obligated to pay the difference between the original Mortgage Interest Rate and the Mortgage Interest Rate as modified. If the Seller defaults in this obligation, Fannie Mae will have the option of repurchasing from the Trust the related Group 1 or Group 3 Loan. Any such repurchase of a Group 1 or Group 3 Loan from the Trust by the Seller or Fannie Mae will occur at a price equal to its outstanding Stated Principal Balance plus one month's interest at the applicable Mortgage Interest Rate.

Repurchase of Group 2 Loans by Fannie Mae

Subject to certain conditions and limitations described in the Sale and Servicing Agreement, the Servicer may, in its discretion and without obligation, purchase from the Trust any Group 2 Loan that has become more than 90 days delinquent. Fannie Mae will have a similar option to repurchase delinquent Group 2 Loans. The purchase price will be equal to the principal balance of the delinquent Group 2 Loan together with accrued interest at the applicable Net Mortgage Rate. We will pay the purchase price to Certificateholders in the same manner as full prepayments of Group 2 Loans. See "Description of the Certificates—Principal Payments" in this prospectus.

Events of Default

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

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

Rights Upon Event of Default

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

Voting Rights

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

Amendment

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

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

If Certificateholders who own at least 66% of the Certificates give their consent, we may amend the Trust Agreement to eliminate, change or add to its terms or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Certificateholders who must give their consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that we must pay on any Certificate. Similarly, unless all affected Holders of any residual interest give their consent, no amendment may adversely affect their rights.

Termination

The Trust Agreement will terminate when the last Mortgage Loan remaining in the Trust has been paid off or liquidated, and the proceeds of that loan have been paid to Certificateholders. 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.

The Servicer has the right to purchase all of the Group 1 Loans or Group 3 Loans remaining in the Trust if the aggregate principal balance of the remaining Group 1 Loans or Group 3 Loans is less than 5% of the aggregate principal balance of the Group 1 Loans or Group 3 Loans, as applicable, as of

the Issue Date. The purchase price for any such optional purchase will be equal to the aggregate outstanding Stated Principal Balance of the Group 1 Loans or Group 3 Loans, as applicable, plus, in each case, one month's interest at the applicable Mortgage Interest Rates.

If the Servicer's option to repurchase the Group 1 Loans is exercised, the A1, A2, A3, P1 and I1 Classes will be paid in full, and the Trust Agreement will terminate with respect to those Classes. If the option to repurchase the Group 3 Loans is exercised, the A6 Class will be paid in full, and the Trust Agreement will terminate with respect to that Class.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

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

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

The topics in this discussion are addressed in the order of the following captions:

- Taxation of the Trust
- REMIC Elections and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of a Residual Certificate
- Taxes on the REMICs
- Reporting and Other Administrative Matters for REMIC Investors
- Backup Withholding for REMIC Investors
- Foreign Investors in REMICs
- Taxation of Beneficial Owners of Certificates of the Group 1 and Group 3 Classes
- Expenses of the Trust
- Sales and Other Dispositions of Certificates of the Group 1 and Group 3 Classes

- Special Tax Attributes of Certificates of the Group 1 and Group 3 Classes
- Modifications of FHA/VA Loans
- Information Reporting and Backup Withholding for Certificates of the Group 1 and Group 3 Classes
- Foreign Investors in Certificates of the Group 1 and Group 3 Classes

The discussion following the caption “—REMIC Elections and Special Tax Attributes” through the caption “Foreign Investors in REMICs” describes the current federal income tax treatment of beneficial owners of Certificates of the Group 2 Classes and the R and RL Classes (the “REMIC Certificates”). For a discussion of the current federal income tax treatment of beneficial owners of Certificates of the Group 1 and Group 3 Classes, see the discussion following “—Taxation of Beneficial Owners of Certificates of the Group 1 and Group 3 Classes” below.

Taxation of the Trust

Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a trust under subpart E, part I of subchapter J of the Code and not as an association taxable as a corporation.

REMIC Elections and Special Tax Attributes

We will elect to treat the Upper Tier REMIC and the Lower Tier REMIC as REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Upper Tier REMIC and the Lower Tier REMIC will be treated as REMICs for federal income tax purposes. The REMIC Certificates (other than the R and RL Classes) will be designated as the “regular interests” in the Upper Tier REMIC (each a “Regular Certificate” and, together, the “Regular Certificates”) and the R Class will be designated as the “residual interest” in the Upper Tier REMIC. The Lower Tier Regular Interests will be designated as the “regular interests” in the Lower Tier REMIC and the RL Class will be designated as the “residual interest” in the Lower Tier REMIC (together with the R Class the “Residual Certificates”).

Because the Upper Tier REMIC and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% of the assets of the Lower Tier REMIC consist of “real estate assets,” then the portion of the Regular and Residual Certificates that are qualifying assets under section 856(c)(5)(B) of the Code during the calendar year may be limited to the portion of the assets of the Lower Tier REMIC that are “real estate assets.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. In general, a Group 2 Loan will be a “qualified mortgage” if the Group 2 Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of the Lower Tier REMIC will include, in addition to the Group 2 Loans, payments on the Group 2 Loans held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

Regular and Residual Certificates held by a financial institution (as referred to in section 582(c)(2) of the Code) will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be “qualified mortgages” within the meaning of section 860G(a)(3) of the Code with respect to other REMICs and “permitted assets” within the meaning of section 860L(c)(1) of the Code with respect to financial asset securitization investment trusts.

Taxation of Beneficial Owners of Regular Certificates

For federal income tax purposes, the Regular Certificates will be treated as debt instruments issued by a REMIC on the date the Certificates are first sold to the public (the “Settlement Date”) and not as ownership interests in the Trust or its assets. Interest, original issue discount and market discount with respect to a Regular Certificate will represent ordinary income to the beneficial owner of the Certificate (a “Regular Owner”). A Regular Owner must report interest on a Regular Certificate using an accrual method of accounting, regardless of whether it otherwise reports income using a cash method of accounting. Rules regarding original issue discount and market discount are discussed below.

Treatment of Original Issue Discount

The S, P2 and I2 Classes will be, and certain other Classes of Regular Certificates may be, issued with “original issue discount” (“OID”) within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the Certificate, generally in advance of receipt of the cash attributable to that income. We will supply to Holders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

Definition of Original Issue Discount

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial price at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of a Regular Certificate of the S or I2 Class, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25% of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the related underlying securities prepay at a specified rate by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized. The prepayment assumption applicable to the Group 2 Loans is 20% of CPR. See “Description of the Certificates—Structuring Assumptions—Prepayment Assumptions” in this prospectus.

Daily Portions of Original Issue Discount

For Regular Certificates considered to be issued with OID, the daily portions of OID will be determined as follows. A calculation will first be made of the portion of OID that accrued during each “accrual period.” OID accruing during any accrual period will then be 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 for purposes of measuring the accrual of OID on a debt instrument, a holder of the 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 will report OID based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of OID treated as accruing for any accrual period will equal the excess, if any, of

- (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on the Certificate during the accrual period of amounts included in the stated redemption price at maturity, over
- (ii) the adjusted issue price of the Certificate at the beginning of the accrual period.

The present value of the remaining distributions will be calculated based on the following:

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the applicable prepayment assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- the prepayment assumption.

The adjusted issue price of a Regular Certificate at any time will equal the issue price of the Regular Certificate, increased by the aggregate amount of previously accrued OID with respect to the Regular Certificate, and reduced by the amount of any distributions made on the Certificate as of that time of amounts included in the stated redemption price at maturity.

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae believes that the prepayment assumption described above is consistent with this standard. Fannie Mae makes no representation, however, that the Group 2 Loans will prepay at the rate reflected in the prepayment assumption described above or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Regular or Residual Certificates. See “Description of the Certificates—Maturity Considerations and Final Distribution Date” and “—Decrement Tables” in this prospectus.

Subsequent Holders’ Treatment of Original Issue Discount

If a Regular Certificate is issued with OID and a subsequent holder purchases the Regular Certificate at a cost of less than its remaining stated redemption price at maturity, that holder also will be required to include in income the daily portion of OID with respect to the Regular Certificate for each day it holds the Regular Certificate. If the cost of the Regular Certificate to the subsequent holder exceeds the adjusted issue price of the Regular Certificate, however, the holder can reduce the daily accruals by an amount equal to the product of (i) the daily portion and (ii) a constant fraction. The numerator of the constant fraction is the excess of the purchase price over the adjusted issue price of the Regular Certificate, and the denominator is the sum of the daily portions of OID on the Regular Certificate for all days on or after the day of purchase.

Regular Certificates Purchased at a Premium

If a Regular Owner purchases a Regular Certificate for an amount (net of accrued interest) greater than its remaining stated redemption price at maturity, the Owner will have premium with

respect to the Regular Certificate (a “Premium Certificate”) in the amount of the excess. Such a purchaser need not include in income any remaining OID and may elect, under section 171(c)(2) of the Code, to treat the premium as “amortizable bond premium.”

If a Regular Owner makes this election, the amount of any interest payment that must be included in the Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to the period based on the Premium Certificate’s yield to maturity. In addition, the legislative history of the Tax Reform Act of 1986 states that premium should be amortized under principles analogous to those governing the accrual of market discount (as discussed below under “—Regular Certificates Purchased with Market Discount”). The election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Regular Certificates Purchased with Market Discount

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the Regular Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Regular Certificate) has market discount with respect to the Regular Certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount. First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the Certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a Certificate as ordinary income under the circumstances discussed below under “—Sales and Other Dispositions of Regular Certificates.” Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a Regular 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 Regular Owner makes this election, the Regular Owner must also apply the election to all debt instruments the Regular Owner acquires on or after the beginning of the first taxable year to which the election applies. A Regular Owner may revoke the election only with the consent of the IRS.

The legislative history to the Tax Reform Act of 1986 states that market discount on a Regular Certificate may be treated as accruing in proportion to remaining accruals of OID, if any, or, if none, in proportion to remaining distributions of interest on a Regular Certificate. A beneficial owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available to Holders information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25% of the remaining stated redemption price at maturity of the Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule,

the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all “interest” that accrues on the Regular Certificate by using a constant yield method. For purposes of the election, the term “interest” includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult your own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Sales and Other Dispositions of Regular Certificates

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner’s adjusted basis in the Certificate. In addition, the Code requires the recognition of gain upon the “constructive sale of an appreciated financial position.” In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer’s risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to Certificates of the S and I2 Classes.

The adjusted basis of a Regular Certificate generally will equal the cost of the Regular Certificate to the beneficial owner, increased by any OID or market discount included in the beneficial owner’s gross income with respect to the Regular Certificate and reduced by distributions previously received by the beneficial owner of amounts included in the Regular Certificate’s stated redemption price at maturity and by any premium that has reduced the beneficial owner’s interest income with respect to the Regular Certificate.

The gain or loss, if any, will be capital gain or loss, provided the Regular Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code and none of the following apply. First, gain that might otherwise be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110% of the “applicable Federal rate” (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in the Regular Owner’s income. Second, gain recognized by a Regular Owner who purchased a Regular Certificate at a market discount will be taxable as ordinary income in an amount not exceeding the portion of the market discount that accrued during the period the Regular Certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described above under “—Regular Certificates Purchased with Market Discount.” Third, any gain or loss resulting from a sale or exchange described in section 582(c) of the Code (which generally applies to banks) will be taxable as ordinary income or loss.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Upper Tier REMIC by virtue of the final payment or liquidation of the last Group 2 Loan remaining in the Lower Tier REMIC.

Taxation of Beneficial Owners of a Residual Certificate

Daily Portions

Except as indicated below, a beneficial owner of a Residual Certificate (a “Residual Owner”) generally will be required to report its daily portion of the taxable income or net loss of the related REMIC for each day during a calendar quarter that the Residual Owner owns the Residual Certificate. For this purpose, the daily portion is determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the related REMIC for the quarter and then allocating that amount among the Residual Owners in accordance with their percentage interests on that day. Daily portions of income or loss allocated to a Residual Owner will be treated as ordinary income or loss. A Residual Owner must continue to report its daily portion of the taxable income or net loss of the related REMIC until no Certificates of any Class are outstanding, even though the Residual Owner may have received full payment of any stated interest and principal on the Residual Certificate.

Taxable Income or Net Loss of the REMICs

The taxable income or net loss of the Upper Tier REMIC and Lower Tier REMIC will be the income from the “qualified mortgages” they hold and any reinvestment earnings less deductions allowed to the related REMIC. In general, a Group 2 Loan will be a “qualified mortgage” if the Group 2 Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code.

The taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with the following modifications and limitations:

- For the Upper Tier REMIC, a deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the R Certificate).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the related REMIC’s basis in these mortgages generally will be included in income by the related REMIC as it accrues under a constant yield method, taking into account the prepayment assumption described above.
- If the related REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see “—*Taxes on the REMICs*—Prohibited Transactions” below) will be taken into account.
- The REMICs generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “—Pass-Through of Servicing and Guaranty Fees to Individuals” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of the REMICs and the issuance of the Regular and Residual Certificates.
- Any gain or loss to the related REMIC from the disposition of any asset, including a qualified mortgage or “permitted investment” as defined in section 860G(a)(5) of the Code, will be treated as ordinary gain or loss.

The Upper Tier REMIC's basis in its assets is the aggregate of the issue prices of all the Regular and Residual Certificates in the REMIC constituted by the Upper Tier REMIC on the Settlement Date. If, however, the amount sold to the public of any Class of Regular or Residual Certificates is not substantial, then the fair market value of all the Regular or Residual Certificates in that Class as of the date of this prospectus should be substituted for the issue price. If the deductions allowed to a REMIC exceed its gross income for a calendar quarter, the excess will be a net loss for the REMIC for that calendar quarter.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if mortgage loans are considered to be purchased by a REMIC at a discount, some or all of the regular certificates are issued at a discount, and the discount included as a result of a prepayment on a mortgage loan that is used to pay principal on the regular certificates exceeds the REMIC's deduction for unaccrued original issue discount relating to the regular certificates. Taxable income of a REMIC may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the regular certificates, may increase over time as the earlier classes of regular certificates are paid, whereas interest income of a REMIC from each mortgage loan, expressed as a percentage of the outstanding principal amount of that mortgage loan, may remain constant over time.

Basis Rules and Distributions

A Residual Owner has an initial basis in the related Residual Certificate equal to the amount paid for the Residual Certificate. The basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to the Residual Certificate. A distribution on the Residual Certificate to a Residual Owner is not included in gross income to the extent it does not exceed the Residual Owner's basis in the Residual Certificate (adjusted as described above) and, to the extent it exceeds the adjusted basis of the Residual Certificate, is treated as gain from the sale of the Residual Certificate.

A Residual Owner is not allowed to take into account any net loss for a calendar quarter to the extent the net loss exceeds the Residual Owner's adjusted basis in the Residual Certificate for the related REMIC as of the close of that calendar quarter (determined without regard to that net loss). Any loss disallowed by reason of this limitation may be carried forward indefinitely to future calendar quarters and, subject to the same limitation, may be used only to offset income from the Residual Certificate.

Treatment of Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. All taxable income with respect to the R and RL Certificates will constitute excess inclusions.

Any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of the Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. If a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For purposes of the alternative minimum tax, taxable income does not include excess inclusions, the alternative minimum taxable income cannot be less than excess inclusions, and excess inclusions are disregarded in computing the alternative tax net operating loss deduction. For a discussion of the effect of excess inclusions on certain foreign investors that own a Residual Certificate, see “—*Foreign Investors*—Residual Certificates” below.

If a Residual Certificate is held by a real estate investment trust, the aggregate excess inclusions with respect to the Residual Certificate reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) would, under regulations yet to be prescribed, be allocated among the shareholders of the trust in proportion to the dividends received by the shareholders from the trust, and any amount so allocated would be treated as an excess inclusion with respect to the Residual Certificate as if held directly by the shareholder. Similar rules would apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the related REMIC, including the servicing and guaranty fees imposed at the level of the Group 2 Loans. See, for example, “Description of Certificates—Servicing Through Lenders” and “Certain Federal Income Tax Consequences” in our MBS prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner’s other miscellaneous itemized deductions, exceed 2% of the Residual Owner’s adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner’s alternative minimum tax liability. A Residual Owner’s share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Sales and Other Dispositions of a Residual Certificate

Upon the sale, exchange or other disposition of a Residual Certificate, the Residual Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Residual Owner’s adjusted basis in the Certificate. The adjusted basis of the Residual Certificate is determined as described above under “—Basis Rules and Distributions.” Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a capital asset.

If a Residual Owner sells or otherwise disposes of a Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale or other disposition of the Residual Certificate, the Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. The disallowed loss would be allowed upon the sale or other disposition of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale or other disposition. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Residual Certificate Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee’s agent, payable by that agent) upon any transfer of the Residual Certificate to a “disqualified organization.” A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” is defined above under “Description of the Certificates—Special Characteristics of the R and RL Classes” in this prospectus. The transferor of a Residual Certificate (or an agent of the transferee of a Residual Certificate, as the

case may be) will be relieved of this tax liability if (i) the transferee furnishes to the transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate, certain limited liability companies and nominee and certain cooperatives) that owns a Residual Certificate if the pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

Other Transfers of a Residual Certificate

A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a "Non-U.S. Person"), unless the transferee's income from the Certificate is otherwise subject to U.S. income tax. A transfer of a Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the Upper Tier REMIC will pay to the transferee an amount that will equal at least 30% of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See "Description of the Certificates—Special Characteristics of the R and RL Classes" in this prospectus for a discussion of additional provisions applicable to transfers of a Residual Certificate.

Amounts Paid to a Transferee of a Residual Certificate

The federal income tax consequences of any consideration paid to a transferee on the transfer of a Residual Certificate are unclear. You should consult your own tax advisor regarding the tax consequences of receiving such consideration.

Termination

Although the matter is not entirely free from doubt, it appears that a Residual Owner will be entitled to a loss if:

- the related REMIC terminates by virtue of the final payment or liquidation of the last qualified mortgage remaining in the related REMIC and
- the Residual Owner's adjusted basis in the Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

The amount of the loss will equal the amount by which the Residual Owner's adjusted basis exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

Taxes on the REMICs

The REMICs will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that the REMICs will engage in any transactions that will give rise to a tax on the REMICs. Pursuant to its

guaranty obligations with respect to the Certificates, Fannie Mae will make distributions on the Certificates without offset or deduction for any tax imposed on the REMICs.

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100% of the net income derived from “prohibited transactions.” In general, the term “prohibited transaction” means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a “cash flow investment” as defined in Section 860G(a)(6) of the Code.

Contributions to a REMIC after the Startup Day

The Code imposes a tax on a REMIC equal to 100% of the value of any property contributed to the REMIC after the “startup day” (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC if made (i) during the three-month period beginning on the startup day, (ii) to a qualified reserve fund by a holder of a residual interest, (iii) in the nature of a guarantee, or (iv) to facilitate a qualified liquidation or clean-up call.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such until the close of the third taxable year following the taxable year in which the acquisition occurs, with possible extensions. Net income from foreclosure property generally means gain from the sale of 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, net of deductions directly connected with the production of such income.

Reporting and Other Administrative Matters for REMIC Investors

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the related Residual Owners will be treated as partners in that REMIC. We will prepare, sign and file federal income tax returns for the REMICs, which returns are subject to audit by the IRS. We do not intend to register the REMICs as tax shelters pursuant to section 6111 of the Code. We will also act as the tax matters partner for the REMICs, either as a beneficial owner of a Residual Certificate or as a fiduciary for a Residual Owner. Each Residual Owner, by the acceptance of a Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Within a reasonable time after the end of each calendar year, we will furnish to each Holder that received a distribution during that year a statement setting forth the portions of any distributions that constitute interest distributions, OID and any other information as is required by Treasury regulations and, with respect to Holders of a Residual Certificate, information necessary to compute the daily portions of the taxable income (or net loss) of the related REMIC for each day during that year.

If there is more than one Residual Owner for a taxable year, each Residual Owner is required to treat items on its return consistently with the treatment on the return of the related REMIC, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level.

Backup Withholding for REMIC Investors

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the distributions 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 distribution to a recipient would be allowed as a credit against the recipient’s federal income tax. Certain penalties may be imposed by the IRS on a recipient of distributions required to supply information who does not do so in the proper manner.

Foreign Investors in REMICS

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that the Regular Owner is a Non-U.S. Person, and provides the name and address of the Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives the statement from the Regular 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 Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

Residual Certificates

Amounts paid to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are paid on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the Mortgage Loans held by the related REMIC were originated after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See “—*Taxation of Beneficial Owners of a Residual Certificate—Treatment of Excess Inclusions.*”

Taxation of Beneficial Owners of Certificates of the Group 1 and Group 3 Classes

The I1 and P1 Classes

A beneficial owner of a Certificate of an I1 or P1 Class 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. Fannie Mae intends to treat each Certificate of an I1 or P1 Class as a single debt instrument representing rights to future cashflows from the Group 1 Loans for purposes of information reporting. You should consult your own tax advisor as to the proper treatment of a Certificate of an I1 or P1 Class in this regard.

Under section 1286 of the Code, a beneficial owner of a Certificate of an I1 or P1 Class 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. For information reporting purposes, we intend to treat all amounts to be

distributed on each Certificate of an I1 or P1 Class as included in the stated redemption price at maturity and, as a result, each Certificate of an I1 or P1 Class will be treated as if issued with OID.

The beneficial owner of a Certificate of an I1 or P1 Class 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 that Certificate. The daily portions of OID are determined as follows:

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

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

Although the matter is not entirely clear, a beneficial owner of a Certificate of an I1 or P1 Class 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. Under section 1272(a)(6), the portion of OID treated as accruing with respect to a Certificate of an I1 or P1 Class 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 that Certificate, if any, as of the end of the accrual period; and (B) the distributions made on that 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 that Certificate as of the beginning of the accrual period.

The present values of the remaining distributions with respect to a Certificate of an I1 or P1 Class are calculated based on the following:

- an assumption that the Group 1 Loans prepay at a specified rate,
- the yield to maturity of the Certificate giving effect to the prepayment assumption, and
- events (including actual prepayments) that have occurred prior to the end of the accrual period.

Each beneficial owner of a Certificate of an I1 or P1 Class determines its yield to maturity based on its purchase price. For a particular beneficial owner of a Certificate of an I1 or P1 Class, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time that Certificate is acquired or would be the original prepayment assumption for that Certificate. For information reporting purposes, we will use the original yield to maturity of that Certificate, calculated based on the original prepayment assumption. You should consult your own tax advisor regarding the proper method for accruing OID on a Certificate of an I1 or P1 Class.

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury Regulations. To date, no such regulations have been promulgated. For information reporting purposes, we will assume a prepayment assumption equal to 15% CPR. We make no representation, however, that the Group 1 Loans will prepay at that rate or any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase a Certificate of an I1 or P1 Class.

The A1, A2, A3 and Group 3 Classes

Interest paid on a Certificate of the A1, A2, A3 or Group 3 Class is taxable as ordinary interest income. A beneficial owner of a Certificate of the A1, A2, A3 or Group 3 Class 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 Certificate of the A1, A2, A3 or Group 3 Class 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 Certificate of the A1, A2, A3 or Group 3 Class 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 of the Group 1 and Group 3 Classes.*” 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 Certificate of the A1, A2, A3 or Group 3 Class must determine the amount of accrued market discount for a period using a straight-line method, based on the maturity of that Certificate, 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 advisors regarding the method a beneficial owner should use to determine accrued market discount.

Notwithstanding the above rules, market discount on a Certificate of the A1, A2, A3 or Group 3 Class 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 advisors regarding the ability to compute *de minimis* market discount based on the final maturity of a Certificate of the A1, A2, A3 or Group 3 Class.

If a beneficial owner acquires a Certificate of the A1, A2, A3 or Group 3 Class 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 Certificate of the A1, A2, A3 or Group 3 Class 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 of the Group 1 and Group 3 Classes.*”

A beneficial owner may elect to include in income its entire return on a Certificate of the A1, A2, A3 or Group 3 Class (*i.e.*, the *excess* of all remaining payments to be received on the A1, A2, A3 or 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 Certificate of the A1, A2, A3 or Group 3 Class with amortizable bond premium (or market discount) will result in a deemed election to amortize premium for all the beneficial owner's debt instruments with amortizable bond premium (or to accrue market discount currently for all the beneficial owner's debt instruments with market discount) as discussed above.

Expenses of the Trust

Each beneficial owner of a Certificate of the Group 1 and Group 3 Classes will be required to include in income its allocable share of the expenses paid by the Trust, with respect to the related FHA/VA Loans. Each beneficial owner of a Certificate of the Group 1 and Group 3 Classes 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 Group 1 and Group 3 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 of the Group 1 and Group 3 Classes directly or through an investment in a “pass-through entity” (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, non-grantor 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 2% 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 the trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on certain itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Sales and Other Dispositions of Certificates of the Group 1 and Group 3 Classes

Upon the sale, exchange or other disposition of a Certificate of the Group 1 and Group 3 Classes, 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 of the Group 1 and Group 3 Classes generally will equal the cost of that Certificate to the beneficial owner, increased by any amounts of OID and market discount included in the beneficial owner's gross income with respect to that Certificate, and reduced by distributions on that Certificate previously received by the beneficial owner as principal (or as amounts constituting stated redemption price at maturity in the case of a Certificate of an I1 or P1 Class) 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 of the Group 1 or Group 3 Classes 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.

Special Tax Attributes of Certificates of the Group 1 and Group 3 Classes

A Certificate of the Group 1 and Group 3 Classes may not 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)(ix) 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, Certificates of the Group 1 and Group 3 Classes may not be a suitable investment for real estate investment trusts and generally will not be a suitable investment for REMICs.

Modifications of FHA/VA Loans

FHA/VA Loans that are in default (or FHA/VA Loans for which a default is reasonably foreseeable) may be modified. If a modification is a "significant modification" under section 1001 of the Code, the Trust will be deemed to have exchanged the old unmodified FHA/VA Loan for the new modified FHA/VA Loan. Gain or loss may be recognized by beneficial owners of the Certificates of the Group 1 or Group 3 Class, as applicable, 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 an FHA/VA Loan or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which Holders hold Certificates as nominees.

Information Reporting and Backup Withholding for Certificates of the Group 1 and Group 3 Classes

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder of a Certificate of the Group 1 and Group 3 Classes that received a distribution on that Certificate 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 the Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates of the Group 1 and Group 3 Classes, 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 in Certificates of the Group 1 and Group 3 Classes

Additional rules apply to a beneficial owner of a Certificate of the Group 1 and Group 3 Classes 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 of the Group 1 and Group 3 Classes 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 that 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% or more of the voting stock of Fannie Mae, or to a beneficial owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors**

should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.

LEGAL OPINION

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

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as “Plans.” Any person who is a fiduciary of a Plan is also subject to the requirements imposed by ERISA and the Code. Before a Plan invests in Certificates, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a prohibited transaction under ERISA or the Code for which no exemption is available.

The U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates by Plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

PLAN OF DISTRIBUTION

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

LEGAL MATTERS

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

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

Loan Group 1—Fixed Rate

<u>Issue Date Unpaid Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Remaining Term to Maturity (in Months) ("WARM")</u>	<u>Weighted Average Loan Age (in Months) ("WALA")</u>
\$ 77,462.44	4.40000%	5.00000%	340	20
102,148.21	5.15000	5.75000	354	6
483,279.13	5.37917	6.00000	320	29
729,359.72	5.62545	6.23901	321	33
4,073,729.52	5.87374	6.50694	310	46
2,764,741.60	6.14344	6.77044	321	37
46,115,300.83	6.38219	6.99660	306	47
17,951,744.53	6.64344	7.26640	329	27
54,243,316.98	6.87764	7.49729	304	51
16,788,426.15	7.13289	7.76176	318	38
42,004,734.49	7.37845	7.99401	304	49
9,038,725.95	7.63920	8.26040	323	33
34,923,550.14	7.87606	8.49202	295	63
5,707,546.27	8.13333	8.75851	314	47
11,170,397.85	8.37983	8.98833	289	63
395,087.07	8.62054	9.25402	296	64
6,390,639.91	8.88760	9.49627	245	113
2,834,780.91	9.39717	10.00000	206	154
2,151,356.08	9.89701	10.50000	187	171
304,408.49	10.38534	11.00000	180	180
329,210.68	10.90000	11.50000	147	214
30,375.14	11.15000	11.75000	131	229
75,664.84	11.39184	12.00000	130	230
46,180.41	11.86840	12.50000	154	206
58,550.52	12.40000	13.00000	111	249
26,186.01	12.90000	13.50000	144	216
25,220.13	13.40000	14.00000	122	238
72,034.74	13.88936	14.50000	118	242
47,186.56	14.90000	15.50000	112	248

Loan Group 2

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")	Remaining Term to Balloon (in Months)
\$ 7,307,631.14	6.37273%	7.29718%	176	4	
245,029.68	6.45500	7.37500	175	5	
1,360,681.09	6.71075	7.63075	175	5	
4,189,187.86	6.79293	7.71293	356	4	176
2,932,945.07	7.50063	8.46431	175	5	
13,399,376.61	7.56715	8.49146	355	4	176
406,059.75	7.61830	8.53830	175	5	
44,389.69	7.95500	8.87500	175	5	
714,225.23	6.34522	7.26522	355	5	
10,258,417.33	6.64850	7.56850	355	5	
69,088,965.64	6.65028	7.62621	356	4	
1,737,431.04	6.70971	7.65515	356	4	
6,797,989.03	6.73286	7.68107	350	4	
261,508.37	7.16908	8.37978	357	3	
7,414,769.47	7.25088	8.26343	356	4	
60,546,870.30	7.27130	8.30896	356	4	
6,830,597.19	7.28539	8.22640	356	4	
454,830.30	7.32023	8.24023	357	3	
114,473.42	7.54500	8.87500	355	5	
11,884,223.55	7.90196	8.95986	356	4	
23,915,365.94	7.91724	8.86208	356	4	
5,282,133.47	7.93378	8.93988	356	4	
322,281.73	8.25817	9.17817	356	4	
191,597.21	8.33000	9.25000	356	4	
1,778,309.47	8.72663	9.68817	357	3	
4,423,318.70	8.72886	9.67518	356	4	
2,750,300.54	8.73579	9.67995	356	4	

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 Margin	Weighted Average Periodic Rate Cap	Weighted Average Lifetime Rate Cap	Weighted Average Lifetime Rate Floor	Weighted Average Months to Rate Change	Rate Reset Frequency (in Months)
\$31,187,480	6.44306%	7.08136%	282	78	2.47228%	1.0%	11.51786%	2.47228%	7	12

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No one is authorized to give information or to make representations in connection with this offering other than those contained in this Prospectus and the Information Statement. You must not rely on any unauthorized information or representation. This Prospectus and the Information Statement do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus and the Information Statement at any time, no one implies that the information contained in these documents is correct after their dates.

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

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\$534,801,734
(Approximate)



Guaranteed Trust
Pass-Through Certificates
Fannie Mae Trust 2002-W8

PROSPECTUS

Bear, Stearns & Co. Inc.

July 8, 2002