

Supplement
(To Prospectus dated February 12, 2003)

\$1,072,796,513
WISCONSIN AVENUE SECURITIES
REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2003-W4

This is a supplement to the prospectus dated February 12, 2003.

Notwithstanding anything set forth in the prospectus:

- The actual original class balances of the classes of senior certificates and mezzanine certificates are set forth opposite their respective class designations.

<u>Class</u>	<u>Original Class Balance</u>
1A-1	\$104,807,000
1A-2	67,000,000
1A-3	51,000,000
1A-4	92,330,000
1A-IO	324,299,905 (1)
1A-PO	406,413
A-R	100
2A	222,290,000
2A-IO	228,458,740 (1)
3A	195,196,000
3A-IO	200,613,459 (1)
4A	264,029,000
4A-IO	271,356,206 (1)
5A	57,938,000
IM	6,150,000
IB-1	6,148,000
IB-2	4,612,000
IIM	564,000
IIB-1	178,000
IIB-2	148,000

(1) Notional balance

- The actual initial aggregate principal balances of the senior, mezzanine and subordinate certificates are set forth below.

	<u>Initial Aggregate Principal Balance</u>
Category 1 senior certificates	\$ 315,543,413
Category 2 senior certificates	222,290,100
Category 3 senior certificates	195,196,000
Category 4 senior certificates	264,029,000
Fixed rate group mezzanine certificates	16,910,000
Fixed rate group subordinate certificates	10,759,798
ARM group senior certificates	57,938,000
ARM group mezzanine certificates	890,000
ARM group subordinate certificates	504,661

- During the first Interest Accrual Period, the following Classes will bear interest at the annual rates specified below.

<u>Class</u>	<u>Interest Rate</u>
1A-IO	2.83501%
2A-IO	0.65259%
3A-IO	0.44884%
4A-IO	0.68153%
5A	5.91678%
IIM	5.91678%
IIB-1	5.91678%
IIB-2	5.91678%

Carefully consider the risk factors starting on page 11 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 March 27, 2003

\$1,086,955,101 (Approximate)

WISCONSIN AVENUE SECURITIES

REMIC Pass-Through Certificates Fannie Mae REMIC Trust 2003-W4

Carefully consider the risk factors starting on page 11 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

This prospectus may not be used to offer and sell senior certificates unless it is accompanied by the senior supplement.

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

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

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue the classes of certificates listed in the chart on this page. These classes of certificates are being offered by this prospectus. We will also issue the subordinate classes in connection with the trust. The subordinate classes are not offered by this prospectus.

Subordination

We will not make monthly payments of interest on the mezzanine classes unless the holders of the senior classes of the related group have received all required payments of interest in that month. Furthermore, we will not make monthly payments of principal of the mezzanine classes unless the holders of the senior classes of the related group have received all required payments of principal in that month.

Payments to Certificateholders

We will make monthly payments on the certificates. You, the investor, will receive

- interest accrued on the balance of your certificate to the extent available for payment on your class, and
- principal to the extent available for payment on your class.

The rate of principal payments may vary from time to time. On any particular distribution date, we may not pay principal to certain classes.

Proceeds of the related trust assets are the sole source of payments on the mezzanine certificates. The mezzanine certificates, together with any interest thereon, are not guaranteed by or obligations of Fannie Mae, the United States or any other governmental entity.

The Trust and its Assets

The trust will own certain first lien, one- to four-family, fixed rate and adjustable rate, fully amortizing 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.

Classes of Senior Certificates	Group	Original Class Balance(1)	Principal Type	Interest Rate	Interest Type	CUSIP Number
1A-1	Fixed Rate	\$104,969,000	SR/SEQ	2.034% (2)	FIX	31393AN86
1A-2	Fixed Rate	66,704,000	SR/SEQ	3.063 (2)	FIX	31393AN94
1A-3	Fixed Rate	50,926,000	SR/SEQ	3.991 (2)	FIX	31393AP27
1A-4	Fixed Rate	92,330,000	SR/SEQ	5.298 (2)	FIX	31393AP35
1A-IO	Fixed Rate	324,103,431 (3)	NTL	(4)	WAC/IO	31393AP43
1A-PO	Fixed Rate	423,001	SR/PT	(5)	PO	31393AP50
A-R	Fixed Rate	100	SR/SEQ	6.500 (2)	FIX	31393AP84
2A	Fixed Rate	222,694,000	SR/SEQ	6.500 (2)	FIX	31393AP68
2A-IO	Fixed Rate	228,874,388 (3)	NTL	(4)	WAC/IO	31393AP76
3A	Fixed Rate	196,547,000	SR/PT	7.000 (2)	FIX	31393AP92
3A-IO	Fixed Rate	202,001,847 (3)	NTL	(4)	WAC/IO	31393AQ26
4A	Fixed Rate	269,520,000	SR/PT	7.500 (2)	FIX	31393AQ34
4A-IO	Fixed Rate	276,999,955 (3)	NTL	(4)	WAC/IO	31393AQ42
5A	ARM	64,816,000	SR/PT	(6)	WAC	31393AR33
RM		0	NPR	0	NPR	31393AS24
RL		0	NPR	0	NPR	31393AS32

Classes of Mezzanine Certificates(7)	Group	Original Class Balance(1)	Principal Type	Interest Rate	Interest Type	CUSIP Number
IM	Fixed Rate	\$ 6,194,000	MEZZ	5.50%	FIX	31393AQ59
IB-1	Fixed Rate	6,192,000	MEZZ	5.50	FIX	31393AQ67
IB-2	Fixed Rate	4,644,000	MEZZ	5.50	FIX	31393AQ75
IIM	ARM	631,000	MEZZ	(6)	WAC	31393AR41
IIB-1	ARM	199,000	MEZZ	(6)	WAC	31393AR58
IIB-2	ARM	166,000	MEZZ	(6)	WAC	31393AR66

- (1) Fixed rate group classes in the aggregate, and ARM group classes in the aggregate, may vary by plus or minus 10%.
- (2) Subject to certain limitations as described in this prospectus.
- (3) Notional balances. These classes are interest only classes.
- (4) These Classes will bear interest at variable annual rates calculated as described in this prospectus. During the first interest accrual period, the 1A-IO, 2A-IO, 3A-IO and 4A-IO Classes are expected to bear interest at annual rates of approximately 2.83489%, 0.65500%, 0.42650% and 0.66600%, respectively.
- (5) Principal only class.
- (6) The 5A, IIM, IIB-1 and IIB-2 Classes will bear interest at an annual rate equal to the weighted average net mortgage rate of the adjustable rate loans. During the first interest accrual period, each of these classes is expected to bear interest at an annual rate of approximately 5.89882%.
- (7) Payments of interest and principal on the mezzanine certificates are subordinated to the payments of interest and principal, respectively, on the senior certificates. Payments in respect of the mezzanine certificates are NOT guaranteed by Fannie Mae.

The dealer specified below will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be March 31, 2003.



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AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood the following documents:

- this prospectus,
- the senior supplement (if you are purchasing senior certificates),
- our Information Statement dated April 1, 2002 and its supplements (the “Information Statement”), and
- any Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we file with the SEC during the period specified in the final paragraph of this page.

You can obtain the disclosure documents listed above (the “Disclosure Documents”) by writing or calling us at:

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

In addition, the Disclosure Documents, together with the class factors, are available on our corporate web site located at www.fanniemae.com and on our business to business web site at www.efanniemae.com.

You can also obtain the Disclosure Documents by writing or calling the dealer at:

Countrywide Securities Corporation
Prospectus Department
4500 Park Granada
Calabasas, California 91302
(telephone 1-800-669-6091)

In the first quarter of 2003, we will begin filing periodic reports with the SEC under the Exchange Act. These filings will include Form 10-K's, Form 10-Q's and Form 8-K's. Our SEC filings will be available at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC by visiting the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC's Internet site solely for the information of prospective investors. We do not intend the Internet address to be an active link.

Information contained in any Form 10-K and Form 10-Q and Form 8-K that we file with the SEC prior to the termination of the offering of the senior and mezzanine certificates is hereby incorporated by reference in this prospectus supplement. Information that we “furnish” to the SEC on Form 8-K is not incorporated by reference in this prospectus supplement.

REFERENCE SHEET

This reference sheet highlights information contained elsewhere in this prospectus. It is not a summary of the transaction and does not contain complete information about the certificates. You should purchase certificates only after reading this prospectus in its entirety and each of the additional disclosure documents listed on page 4.

The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 2003-W4.
- The assets of the trust will consist of certain first lien, one- to four-family, fully amortizing mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs and having the characteristics described in this prospectus.
- The loans in the fixed rate group bear fixed rates of interest. The fixed rate group is divided into four categories, the Category 1 loans, Category 2 loans, Category 3 loans and Category 4 loans.
- The loans in the ARM group bear adjustable rates of interest.

Certain Characteristics of the Mortgage Loans

Each of the mortgage loans was originated in accordance with the underwriting guidelines of the FHA or VA. Substantially all of the mortgage loans were included in Ginnie Mae pools and then purchased from those pools as a result of uncured delinquencies. The mortgage loans are now reperforming as and to the extent described in the section of this prospectus entitled “The Mortgage Loan Groups.”

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

General

The certificates will consist of the following classes, which represent the entire ownership interest in the trust.

Sixteen classes of senior certificates issued and guaranteed by Fannie Mae:

- | | | |
|---|---|------------------|
| <ul style="list-style-type: none">• A-R Class• RM Class• RL Class | } | Residual classes |
|---|---|------------------|

- 1A-1 Class
 - 1A-2 Class
 - 1A-3 Class
 - 1A-4 Class
 - 1A-IO Class
 - 1A-PO Class
- } Category 1 senior certificates
-
- A-R Class
 - 2A Class
 - 2A-IO Class
 - 3A Class
 - 3A-IO Class
 - 4A Class
 - 4A-IO Class
- } Category 2 senior certificates
- } Category 3 senior certificates
- } Category 4 senior certificates
-
- 5A Class
- } ARM group senior certificates
- } Fixed rate group senior certificates

Six classes of mezzanine certificates issued, but not guaranteed, by Fannie Mae:

- IM Class
 - IB-1 Class
 - IB-2 Class
- } Fixed rate group mezzanine certificates
-
- IIM Class
 - IIB-1 Class
 - IIB-2 Class
- } ARM group mezzanine certificates

Six classes of subordinate certificates issued, but not guaranteed, by Fannie Mae:

- IB-3 Class
 - IB-4 Class
 - IB-5 Class
- } Fixed rate group subordinate certificates
-
- IIB-3 Class
 - IIB-4 Class
 - IIB-5 Class
- } ARM group subordinate certificates

We expect that the aggregate stated principal balance of mortgage loans in the trust as of the issue date to be as follows:

	Approximate Aggregate Stated Principal Balance⁽¹⁾
Fixed rate group	\$1,031,979,621
<i>Category 1 loans</i>	\$ 324,103,431
<i>Category 2 loans</i>	\$ 228,874,388
<i>Category 3 loans</i>	\$ 202,001,847
<i>Category 4 loans</i>	\$ 276,999,955
ARM group	\$ 66,376,569

(1) The aggregate principal balance of the fixed group and the aggregate principal balance of the ARM group each may vary by plus or minus 10%.

The senior, mezzanine and subordinate certificates will have the initial aggregate principal balances, and will represent the undivided percentage ownership interests in the related mortgage loans, shown below:

	Approximate initial aggregate principal balance (1) (2)	Approximate initial undivided ownership interest in the mortgage loans
Category 1 senior certificates	\$315,352,001	97.30% ⁽³⁾
Category 2 senior certificates	\$222,694,100	97.30% ⁽⁴⁾
Category 3 senior certificates	\$196,547,000	97.30% ⁽⁵⁾
Category 4 senior certificates	\$269,520,000	97.30% ⁽⁶⁾
Fixed rate group mezzanine certificates	\$ 17,030,000	1.65% ⁽⁷⁾
Fixed rate group subordinate certificates	\$ 10,836,520	1.05% ⁽⁷⁾
ARM group senior certificates	\$ 64,816,000	97.65%
ARM group mezzanine certificates	\$ 996,000	1.50% ⁽⁸⁾
ARM group subordinate certificates	\$ 564,569	0.85% ⁽⁸⁾

(1) The principal balances of the fixed rate group certificates in the aggregate, and the principal balances of the ARM group certificates in the aggregate, may vary by plus or minus 10%. However, in the case of the mezzanine and subordinate certificates of the fixed rate group or the ARM group, the proportion that the original principal balance of each class bears to the aggregate original principal balance of all such classes in the related group will remain the same.

(2) The principal balances listed in the table do not include the notional principal balances of the 1A-IO, 2A-IO, 3A-IO and 4A-IO Classes.

(3) Relates to Category 1 loans only.

(4) Relates to Category 2 loans only.

(5) Relates to Category 3 loans only.

(6) Relates to Category 4 loans only.

(7) Expressed as a percentage of fixed rate group only.

(8) Expressed as a percentage of ARM group only.

Only the senior and mezzanine certificates are being offered by this prospectus and, in the case of the senior certificates, by the senior supplement. On the settlement date, we also will issue the subordinate certificates and, at the direction of the seller, deliver them to the dealer, which may sell them at any time thereafter in limited private offerings. We have included in this prospectus certain information about the subordinate certificates only to help you understand the senior and mezzanine certificates.

Class Factors

The class factors are numbers that, when multiplied by the initial principal balance of a certificate, can be used to calculate the current principal balance of that certificate (after taking into account payments in the same month). We publish the class factors on or shortly after the 21st day of each month.

Settlement Date

We expect to issue the certificates on March 31, 2003.

Statistical Calculation Date

The information presented in this prospectus with respect to the mortgage loans is, unless otherwise specified, based on information relating to the mortgage loans as of February 1, 2003, which is the statistical calculation date. As a result, the statistical distribution of characteristics for the mortgage loans on the settlement date will vary from the statistical distribution of such characteristics as presented in this prospectus, although such variance will not be material.

Distribution Date

We will make payments on the classes of certificates on the 25th day of each calendar month, or on the next business day if the 25th day is not a business day beginning in April 2003.

Book-Entry and Physical Certificates

We issue book-entry certificates through The Depository Trust Company, 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:

<u>DTC Book-Entry</u>	<u>Physical</u>
All classes of senior and mezzanine certificates other than the A-R, RM and RL Classes	A-R, RM and RL Classes

Interest Payments

During each interest accrual period, the senior and mezzanine certificates will bear interest at the annual rates listed on the cover or described in this prospectus. On each distribution date, each class of senior certificates will be entitled to receive its required distribution of interest and, subject to available funds, each class of mezzanine certificates will be entitled to receive the applicable Specified Non-Senior Interest Distribution Amount. For a description of the Specified Non-Senior Interest Distribution Amount, see “Description of the Senior and Mezzanine Certificates—Interest Payments on the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

Notional Classes

The 1A-IO, 2A-IO, 3A-IO and 4A-IO Classes are notional classes. A notional class will not receive any principal. Its notional principal balance is the balance used to calculate accrued interest.

The notional principal balances of the notional classes will equal 100% of the respective aggregate stated principal balances listed below, immediately before the related distribution date:

<u>Class</u>	
1A-IO	100% of the Category 1 loans
2A-IO	100% of the Category 2 loans
3A-IO	100% of the Category 3 loans
4A-IO	100% of the Category 4 loans

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

Principal Payments

Fixed Rate Group

Category 1 Senior Principal Distribution Amount

To the 1A-1, 1A-2, 1A-3 and 1A-4 Classes, in that order, to zero.

PO Principal Distribution Amount

To the 1A-PO Class to zero.

Category 2 Senior Principal Distribution Amount

To the A-R and 2A Classes, in that order, to zero.

Category 3 Senior Principal Distribution Amount

To the 3A Class to zero.

Category 4 Senior Principal Distribution Amount

To the 4A Class to zero.

Fixed Rate Group Non-Senior Principal Distribution Amount

To the fixed rate group mezzanine and subordinate certificates, pro rata, with funds available for such purpose to be applied first to the IM, IB-1 and IB-2 Classes, in that order of priority, and thereafter to the related subordinate certificates.

ARM Group

ARM Group Senior Principal Distribution Amount

To the 5A Class to zero.

ARM Group Non-Senior Principal Distribution Amount

To the ARM group mezzanine and subordinate certificates, pro rata, with funds available for such purpose to be applied first to the IIM, IIB-1 and IIB-2 Classes, in that order of priority, and thereafter to the related subordinate certificates.

For a description of the Category 1 Senior Principal Distribution Amount, the PO Principal Distribution Amount, the Category 2 Senior Principal Distribution Amount, the Category 3 Senior Principal Distribution Amount, the Category 4 Senior Principal Distribution Amount, the Fixed Rate Group Non-Senior Principal Distribution Amount, the ARM Group Senior Principal Distribution Amount and the ARM Group Non-Senior Principal Distribution Amount, see “Description of the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

Weighted Average Lives (years) *

Senior Classes	CPR Prepayment Assumption**						
	0%	9%	12%	16%	20%	24%	30%
1A-1	8.3	1.7	1.3	1.0	0.8	0.7	0.5
1A-2	16.9	5.1	3.9	3.0	2.4	2.0	1.5
1A-3	20.7	8.4	6.6	5.0	4.0	3.3	2.6
1A-4	24.2	16.1	13.5	10.7	8.7	7.2	5.5
1A-IO	16.8	7.9	6.4	5.1	4.1	3.4	2.7
1A-PO	15.6	7.6	6.2	5.0	4.0	3.4	2.7
	CPR Prepayment Assumption**						
	0%	9%	12%	17%	20%	24%	30%
2A	17.4	7.9	6.4	4.7	4.0	3.3	2.5
2A-IO	17.4	8.0	6.5	4.8	4.2	3.5	2.7
AR	0.1	0.1	0.1	0.1	0.1	0.1	0.1
3A	17.3	7.9	6.4	4.7	4.0	3.3	2.5
3A-IO	17.3	8.0	6.5	4.8	4.2	3.5	2.7
4A	17.2	7.9	6.4	4.7	4.0	3.3	2.6
4A-IO	17.2	8.0	6.5	4.9	4.2	3.5	2.7
	CPR Prepayment Assumption**						
	0%	10%	15%	20%	25%	30%	40%
5A	14.5	6.7	4.9	3.8	3.0	2.5	1.7
Mezzanine Classes	CPR Prepayment Assumption**						
	0%	9%	12%	16% / 17%†	20%	24%	30%
IM, IB-1 and IB-2	17.1	12.4	11.5	10.4	9.8	9.2	8.6
	CPR Prepayment Assumption**						
	0%	10%	15%	20%	25%	30%	40%
IIM, IIB-1 and IIB-2	14.5	11.8	11.0	10.3	9.9	9.5	8.1

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

** For a description of the Prepayment Assumption, see “Description of the Senior and Mezzanine Certificates—Structuring Assumptions—*Prepayment Assumption*” in this prospectus.

† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

Ratings

We will not issue the certificates unless Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. and Moody’s Investors Service, Inc. assign to the mezzanine certificates the ratings specified in the following table:

Class	Standard & Poor’s Rating	Moody’s Rating
IM	AA	Aa2
IB-1	A	A2
IB-2	BBB	Baa2
IIM	AA	—
IIB-1	A	—
IIB-2	BBB	—

RISK FACTORS

Risk Factors Affecting Senior and Mezzanine Certificates

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 other disclosure documents.
- You should understand the terms of the certificates thoroughly.
- 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.

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

- the price you paid for the certificates,
- how quickly or slowly borrowers prepay the related mortgage loans,
- if and when the related mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans,
- the extent of any uncovered prepayment interest shortfalls,
- if and when the related mortgage loans are repurchased;
- the actual characteristics of the related mortgage loans; and

- in the case of the interest only classes and the ARM group classes, fluctuations in the weighted average of the net mortgage rates of the related mortgage loans.

In particular,

- the 1A-IO Class will receive no interest on any distribution date if the weighted average of the net mortgage rates of the Category 1 loans for the related interest accrual period is equal to or less than the weighted average of the interest rates of the 1A-1, 1A-2, 1A-3, 1A-4 and 1A-PO Classes and the portion of the mezzanine and subordinate classes relating to the Category 1 loans, as described in this prospectus,
- the 2A-IO Class will receive no interest payment on any distribution date if the weighted average of the net mortgage rates of the Category 2 loans is equal to or less than the weighted average of the interest rates of the A-R and 2A Classes and the portion of the mezzanine and subordinate classes relating to the Category 2 loans, as described in this prospectus,
- the 3A-IO Class will receive no interest on any distribution date if the weighted average of the net mortgage rates of the Category 3 loans for the related interest accrual period is equal to or less than the weighted average of the interest rates of the 3A Class and the portion of the mezzanine and subordinate classes relating to the Category 3 loans, as described in this prospectus, and
- the 4A-IO Class will receive no interest payment on any distribution date if the weighted average of the net mortgage rates of the Category 4 loans is equal to or less than the weighted average of the interest rates of the 4A Class and the portion of the mezzanine and subordinate classes relating to the Category 4 loans, as described in this prospectus.

Mortgage interest rate reductions will reduce the yield on certain related classes of certificates. Reductions in the interest rates on the

mortgage loans due to loan modifications as a loss mitigation technique will reduce the interest rates of certain related classes of certificates.

Accordingly,

- any such reductions affecting the Category 1 loans will reduce the interest rate, and thus the yield, of the 1A-IO Class,
- any such reductions affecting the Category 2 loans will reduce the interest rate, and thus the yield, of the 2A-IO Class,
- any such reductions affecting the Category 3 loans will reduce the interest rate, and thus the yield, of the 3A-IO Class,
- any such reductions affecting the Category 4 loans will reduce the interest rate, and thus the yield, of the 4A-IO Class,
- any such reductions affecting any of the fixed rate loans will reduce the interest rates, and thus the yields, of the fixed rate group mezzanine and subordinate classes, and
- any such reductions affecting the ARM loans will reduce the interest rates, and thus the yields, of the ARM group classes.

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

- if you buy your certificates at a premium and principal payments on the related mortgage loans are faster than you expect, or
- if you buy your certificates at a discount (including the 1A-PO Class) and principal payments on the related mortgage loans are slower than you expect.

In addition, in the case of interest only certificates and certificates purchased at a premium, you could lose money on your investment if prepayments of the related mortgage loans occur at a rapid rate.

Furthermore, in the case of the interest only classes and the ARM group classes, if a disproportionately high rate of prepayments occurs on the related mortgage loans bearing relatively high interest rates, the yields on those

respective classes will decrease and may be lower than you expect.

Even if the average rate at which principal is paid on the related mortgage loans is consistent with your expectations, variations in the rate over time can significantly affect your yield. Generally, the earlier the payment of principal, the greater the impact on the yield to maturity. As a result, if the rate of principal prepayments of the related mortgage loans 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 effect of the earlier 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 related certificates will be affected.

You must decide what principal prepayment assumptions to use in deciding whether to purchase the certificates.

Exercise of either of the optional clean-up calls will have the same effect on the related group of certificates as borrower prepayments of the mortgage loans. Subject to certain conditions, the master servicer has the option to purchase from the trust all of the mortgage loans in the fixed rate group and/or all of the mortgage loans in the ARM group on or after the first distribution date when the aggregate principal balance of the related mortgage loans has been reduced to 5% or less of the aggregate principal balance of the related group as of the issue date. Repurchases of the mortgage loans in either group will have the same effect on the related certificates as borrower prepayments of the loans in full.

The rate of principal payments on the certificates depends on numerous additional factors and cannot be predicted. Many factors affect the prepayment rate. 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 or prepayments. The rate of principal payments is likely to vary considerably from time to time as a

result of the liquidation of foreclosed mortgage loans, FHA insurance payments and VA guarantee payments, as well as because borrowers may prepay the mortgage loans at any time without penalty.

The prepayment rate of mortgage loans, especially fixed rate loans, can be particularly sensitive to prevailing interest rates. In general, when the level of prevailing interest rates declines relative to the interest rates on fixed rate mortgage loans, the rate of prepayment is likely to increase. Similarly, declines in prevailing interest rates may lead to an increase in the rate of prepayment of adjustable rate mortgage loans by borrowers who wish to lock in relatively low fixed rates. The prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In addition, no one can predict the degree to which interest rates must decline before significant prepayments are likely to occur. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the mortgage loans are prepaid due to refinancing. Because of these and other factors, we are unable to estimate what the prepayment experience for the mortgage loans will be.

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.

Prepayment rates can also be impacted if the mortgage includes a due-on-sale clause requiring that the borrower repay the mortgage loan in full if the mortgaged property is sold. In this regard, FHA and VA have historically permitted FHA and VA loans to be assumed by purchasers of mortgaged properties, thus making such loans less likely to prepay when a mortgaged property is sold. However, prior to 1989, FHA and VA generally permitted loans to be assumed by purchasers without prior credit verification, and such loans may be more likely to default and, thus, prepay, than would be the case had such loans been assumed by borrowers whose credit qualifications had been verified.

Prepayment rates may also be impacted by a breach of the representations and warranties made by the seller. The seller made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans in case of a breach of those representations and warranties. Any such repurchases will increase the rate of prepayment.

The amortization schedules of the mortgage loans may be recast and their terms may be extended. The master servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on a mortgage loan (but not beyond October 2042). To the extent the master servicer recasts the amortization schedule or extends the term of a mortgage loan, the weighted average lives of the related classes of certificates could be extended.

Loan characteristics affect weighted average lives and yields on the certificates. Slight variations in mortgage loan characteristics could affect the weighted average lives and yields of the related classes of certificates.

Your yield may be reduced due to uncovered prepayment interest shortfalls. The effective yields on the certificates will be reduced to the extent prepayments of the related mortgage loans result in uncovered prepayment interest shortfalls.

Delay classes have lower yields and market values. Since the classes of certificates do not receive interest immediately following each interest accrual period, they have lower yields and therefore lower market values than they would if there were no such delay.

Unpredictable timing of last payment affects yields on certificates. The actual final payment on each class of certificates is likely to occur earlier, and could occur much earlier, than the maturity date of the latest maturing mortgage loan in the related loan category or loan group. If you assume the actual final payment will occur on that date, your yield may be lower than you expect.

Reinvestment of certificate payments may not achieve same yields as certificates. The rate of principal payments on the certificates is uncertain. You may be unable to reinvest the pay-

ments on the certificates at the same yields provided by the certificates.

Delayed information can result in delayed distribution of prepayments. Provided that timely information is available, all principal prepayments received during a calendar month will be passed through to the related certificateholders on the distribution date following the end of that prepayment period. However, in the event that timely information is not available, principal prepayments will be paid on the second distribution date following the end of that prepayment period.

Delays or reductions in cash flow can result from default and liquidation. Even assuming that the mortgaged properties provide adequate security for the mortgage loans, substantial delays could be encountered in connection with the liquidation of defaulted mortgage loans, and corresponding delays in distributing the related liquidation proceeds to holders of the related senior and mezzanine certificates could occur. Further, liquidation expenses (such as legal fees, real estate taxes and maintenance and preservation expenses) will reduce the proceeds of the mortgage loans payable to certificateholders.

Certain classes of certificates provide credit enhancement for other classes. For purposes of this discussion, the term “related junior classes” means:

- as to the fixed rate group or ARM group senior certificates—the related mezzanine certificates and subordinate certificates, and
- as to each class of fixed rate group or ARM group mezzanine certificates—each class of related mezzanine certificates with a higher numerical class designation as well as the related subordinate certificates. (The IM and IIM Classes are deemed to have a lower numerical designation, and to have a higher payment priority, than the other classes of non-senior certificates in their respective groups.)

Credit enhancement will be provided for the senior and mezzanine certificates of a group:

- first, by the right of the holders of the senior and mezzanine certificates in that

group to receive certain payments of principal prior to the related junior classes, and

- second, by the allocation of realized losses to the related junior classes.

Credit enhancement for the senior and mezzanine certificates of a group is provided from collections on the related mortgage loans otherwise payable to the holders of the related junior classes. In the case of the mezzanine certificates of a group, collections on the related mortgage loans comprise the sole source of funds from which the credit enhancement is provided. Accordingly, if the aggregate principal balance of the related junior classes were to be reduced to zero, delinquencies and defaults on the related mortgage loans would affect monthly payments to holders of the outstanding mezzanine certificates. None of the seller, the trustee, the master servicer or any of their respective affiliates will have any obligation to replace or supplement the credit enhancement.

Some investors may be unable to buy certain classes. 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 you may purchase the certificates.

Uncertain market for the certificates could make them difficult to sell and cause their values to fluctuate. 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. As a result, you may be unable to sell your certificates easily or at a price that enables you to obtain your anticipated yield. In particular, it may be difficult to sell senior and mezzanine certificates that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors (including the interest only classes and the 1A-PO Class). Such certificates may have little or no liquidity. You should purchase certificates only if you understand and can bear the risk that the value of your certificates will vary over time and that your certificates may not be easily sold.

Concentration of mortgaged properties in certain states. The tables on pages 26, 29, 32 and 36 under “The Mortgage Loan Groups—Initial Pool Statistics—Fixed Rate Group” and on page 41 under “The Mortgage Loan Groups—Initial Pool Statistics—ARM Group” set forth the geographic distribution of the mortgage loans.

As of the issue date, the following states have the largest concentrations of mortgage loans in the trust. Based on their aggregate stated principal balance,

- 14.12%, 11.12% and 7.10% of the Category 1 loans are secured by mortgaged properties located in California, Texas, and Georgia, respectively,
- 14.93%, 7.26% and 6.84% of the Category 2 loans are secured by mortgaged properties located in California, Illinois, and Texas, respectively,
- 15.01%, 7.32% and 7.21% of the Category 3 loans are secured by mortgaged properties located in California, Illinois, and Texas, respectively,
- 16.34%, 8.46% and 7.86% of the Category 4 loans are secured by mortgaged properties located in California, Michigan and Texas, respectively, and
- 17.28%, 10.31% and 9.25% of the ARM loans are secured by mortgaged properties located in California, Maryland and Illinois, respectively.

If the residential real estate markets in the areas with the heaviest concentrations of mortgage loans should experience an overall decline in property values, the rates of delinquencies, foreclosures, bankruptcies and realized losses on the mortgage loans probably will increase and may increase substantially.

Loan characteristics may differ from descriptions due to permitted variance. The principal amount of mortgage loans included in the fixed rate group and/or the ARM Group delivered to the trust on the settlement date may vary by plus or minus 10%. In that event the principal balances of the related certificates will be adjusted accordingly to reflect such variance and maintain the required levels of subordination. In addition, it is expected that

additional mortgage loans may be added to, and certain mortgage loans may be deleted from, any loan category or loan group between the issue date and the settlement date. As a result, the characteristics of the mortgage loans actually included in a loan category or loan group may differ from the characteristics of the mortgage loans specified in this prospectus.

Declines in real estate values and mortgaged property values diminish security for mortgage loans. An overall decline in residential real estate markets could adversely affect the values of the mortgaged properties that secure the mortgage loans. In that event, the outstanding balances of the mortgage loans could equal or exceed the values of the related mortgaged properties. Residential real estate markets in many states have experienced periods of softness and decline in the recent past. We cannot predict or quantify any future declines in property values. During a period of property value decline, the rates of delinquencies, foreclosures and losses on the mortgage loans would probably be higher than those experienced in the mortgage lending industry in general. Geographic concentration of the mortgage loans may increase the impact of such market changes.

In addition, the actual value of a mortgaged property may decrease in relation to its appraised value at origination due to numerous other factors including

- a rise in interest rates over time,
- the general condition of the mortgaged property, and
- general employment levels.

FHA and VA loans such as the mortgage loans to be included in the trust generally may be originated with loan-to-value ratios of up to 100% (plus certain closing-related costs and expenses). If there is a reduction in the value of a mortgaged property, the loan-to-value ratio may increase relative to the original loan-to-value ratio. In that event, it will be less likely that the outstanding balance of the related mortgage loan would be paid in full from liquidation proceeds.

The FHA may settle claims on defaulted FHA insured mortgage loans in FHA debentures rather than cash. FHA has the option to settle

claims made with respect to losses on defaulted FHA-insured loans by delivering FHA debentures rather than cash. The debentures can have maturities of up to 20 years. If a debenture is issued by FHA, the master servicer will be obligated to purchase the debenture from the trust with the proceeds of the purchase being passed through to holders of the related classes of certificates. Any such purchase will be made at a price equal to the par amount of the debenture plus interest accrued on that amount at the related net mortgage rate less certain servicing advances. However, if the par amount of the debenture is less than the unpaid principal balance of the related mortgage loan, the deficiency will represent a realized loss and will be allocated to the classes of subordinate certificates until the aggregate principal balance of those certificates is reduced to zero. Any such losses occurring after the aggregate principal balance of the classes of subordinate certificates has been reduced to zero will be allocated to the mezzanine certificates. Although the FHA generally has not issued debentures in settlement of claims since 1965, it continues to be authorized to do so.

Collecting and obtaining recovery costs may be difficult due to state and federal laws. Certain states have imposed statutory prohibitions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or sale. (A deficiency judgment is a personal judgment against the borrower generally equal to the difference between the net amount received upon the public sale of the real property and the amount due the lender.) Other statutes require the beneficiary or mortgagee to foreclose in an attempt to satisfy the full debt before bringing a personal action against the borrower. Finally, other statutory provisions limit any deficiency judgment against the borrower following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or a mortgagee from obtaining a large deficiency judgment against the borrower as a result of a low bid, or no bids, at the judicial sale.

Applicable state laws generally regulate interest rates and other charges, require certain disclosures, and require licensing of mortgage loan originators and servicers. In addition, other state laws, public policies and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the mortgage loans. The seller will be required to repurchase any mortgage loans that, at the time of origination, did not comply with applicable federal and state laws and regulations. Depending on the provisions of the applicable law and the factual circumstances, violations of such laws, policies and principles may

- limit the ability of the trust to collect all or part of the principal of or interest on the related mortgage loans,
- entitle the related borrower to a refund of amounts previously paid, and
- subject the trust to monetary damages and administrative enforcement.

The mortgage loans also are subject to a number of federal laws, which, if violated, may limit the ability of the master servicer to collect all or part of the principal of or interest on the mortgage loans and, in addition, could subject the trust to monetary damages and administrative enforcement.

Under federal and state environmental legislation and applicable case law, it is unclear whether liability for costs of eliminating environmental hazards on real property may be imposed on a secured lender (such as the trust) acquiring title to the real property. Such costs could be substantial.

In light of these legal factors, the amount of collections on the mortgage loans available for payment to investors could be limited or diminished.

Recent Events. The master servicer may defer, reduce or forgive payments and delay foreclosure proceedings in respect of mortgage loans to borrowers affected in some way by recent and possible political or military events, including the response by the United States to the terrorist attacks of September 11, 2001. The effects that any such developments, including

any related military action, may have on the performance of the mortgage loans and the certificates cannot be determined. Investors should consider the possible effects on delinquency, default and prepayment experience of the mortgage loans.

Additional Risk Factors Affecting Mezzanine Certificates

High delinquency rates are more likely to result in foreclosure, bankruptcy or liquidation. If you are considering an investment in the mezzanine certificates, you should consider that the mortgage loans to be included in the trust have experienced high rates of delinquency, including currently uncured delinquencies, and, as a result, these loans are more likely to be subject to foreclosure, bankruptcy and liquidation.

Yields affected by realized losses allocated to non-senior classes. If you are considering an investment in the mezzanine certificates, you also should bear in mind the impact on your yield if any defaulted mortgage loans in the related loan group remain in the trust until the final disposition of the related mortgaged properties. Any realized losses on the loans will be allocated to the related classes of mezzanine and subordinate certificates in the reverse order of their numerical class designations. The proceeds of the final disposition may be insufficient to pay principal to those mezzanine certificates in an amount equal to the full balance of the related mortgage loan. (For purposes of allocating losses or payments to the mezzanine certificates, the IM and IIM Classes each will be deemed to have a lower numerical designation, and to be of a higher payment priority, than the other classes of non-senior certificates in the related group.)

If the principal balances of the more junior classes in a group were reduced to zero due to the allocation of realized losses, the yields on the related mezzanine certificates would be extremely sensitive to

- the default and realized loss experience on the related mortgage loans, and
- the timing of any such defaults or realized losses.

The rights of holders of each class of mezzanine certificates in a group to receive payments

will be subordinate to the rights of holders of more senior classes in that group to the extent described in this prospectus. In general, all realized losses and other shortfalls in collections on the mortgage loans in a group will be allocated:

- first, to the related subordinate classes, and
- second, to the related mezzanine classes,

in the reverse order of their numerical class designations, until their principal balances are reduced to zero. As a purchaser of mezzanine certificates, if you calculate your anticipated yield based on your estimates of the rate of default and amount of realized losses on the related mortgage loans, and your estimates prove to be less than the levels experienced, your actual yield may be lower than your anticipated yield. In fact, your actual yield could be negative in the event of substantial realized losses. The timing of realized losses will also affect your actual yield, even if the default rate and amount of realized losses are consistent with your expectations. In general, the earlier a realized loss occurs, the greater the effect on your yield.

No one can predict the delinquency, foreclosure or realized loss experience of the mortgage loans. **Before investing in the mezzanine certificates, you should fully consider the risk that realized losses on the related mortgage loans could result in your failure to recover your investment in full.**

Liquidation proceeds may be substantially reduced following the default of mortgage loans with unpaid arrearages. Certain mortgage loans will be transferred to the trust net of arrearages representing unreimbursed interest, principal and servicing advances made prior to the issue date. These amounts will not be included in trust property and any collections of such arrearages will be paid to the advancing party. In addition, upon liquidation of a defaulted mortgage loan with unpaid arrearages, liquidation proceeds will be applied first to cover the outstanding arrearages in full, as well as other related servicing and liquidation expenses, before being made available to holders of the related certificates. As a result, liquidation proceeds available for payment to related certificateholders will be reduced, and in some cases may be substantially reduced or even elimi-

nated, following the default of a mortgage loan with unpaid arrearages.

Yields may be affected by disproportionate allocations of prepayments to the senior and mezzanine certificates. The yields and weighted average lives of the certificates probably will be affected by the disproportionately lower allocation of prepayments to the mezzanine certificates in a group as compared to the related senior certificates. This disproportionate allocation will have the effect of accelerating the amortization of the senior certificates while increasing the proportionate interest in the mortgage loans evidenced by the non-senior certificates in that group. This effect is intended to preserve the subordination provided by the non-senior certificates to the related senior certificates. The disproportionate allocation of prepayments will cause the principal balances of the mezzanine certificates in a group to decline more slowly than they would if the mezzanine certificates received their proportionate share of principal prepayments. As a result of the disproportionate allocation of prepayments, the average lives of the related mezzanine certificates will likely be longer than otherwise would be the case. In addition, the performance characteristics of the mezzanine certificates in a group will be different from those of other mortgage pass-through certificates that do not allocate principal prepayments on mortgage loans disproportionately by certificate class.

Failure to comply with FHA and VA regulations may result in realized losses. If the master servicer does not strictly comply with applicable FHA or VA regulations, FHA insur-

ance benefits or VA guaranty payments otherwise available may be reduced or denied which could result in realized losses on the affected mortgage loans to the extent that the losses are not covered by the master servicer from its own funds.

FHA insurance proceeds and VA guaranty payments will be reduced as a result of various factors. Benefits under FHA mortgage insurance or a VA guaranty for a defaulted mortgage loan will be reduced to account for reimbursement of the master servicer for certain costs and expenses as well as for deductions of certain amounts received or retained by the master servicer after default.

Delinquencies may have an adverse effect on yield. The yield to maturity on the mezzanine certificates in a group will be affected adversely by delinquencies on the related mortgage loans that are not covered by a delinquency advance. As further described in this prospectus, amounts otherwise distributable to holders of the mezzanine certificates in a group will be used to protect the holders of the related senior certificates against payment interruptions due to certain borrower delinquencies. Such delinquencies, even if subsequently cured, may affect the time when payments are received by holders of the related mezzanine certificates. In addition, the rate of principal payments on the certificates in a group would be affected by aggregate realized losses under certain realized loss scenarios, because the related senior prepayment percentage would not decrease as scheduled.

GENERAL

The material under this heading summarizes certain features of the Senior and Mezzanine Certificates (each as defined in this prospectus). You will find additional information about the Senior and Mezzanine Certificates in the other sections of this prospectus. You will also find additional information about the Senior Certificates in the Senior Supplement. If we use a capitalized term in this prospectus without defining it, you will find the definition of that term in the Information Statement or in the Trust Agreement.

Structure. We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*), will create the Fannie Mae REMIC Trust specified on the cover of this prospectus (the “Trust”) and two separate trusts (“Lower Tier REMIC 1” and “Lower Tier REMIC 2”) pursuant to a trust agreement (the “Trust Agreement”) dated as of March 1, 2003 (the “Issue Date”). We will

issue the REMIC Pass-Through Certificates (the “Certificates”) pursuant to the Trust Agreement. We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”).

Fannie Mae, Countrywide Home Loans, Inc., as seller (the “Seller” or “Countrywide”), and Countrywide Home Loans Servicing LP (“Countrywide Servicing”), an affiliate of the Seller, as master servicer (the “Master Servicer”) of the mortgage loans (the “Mortgage Loans”), will be parties to a sale and servicing agreement (the “Sale and Servicing Agreement”) dated as of the Issue Date.

The Trust (the “Upper Tier REMIC”), Lower Tier REMIC 1 and Lower Tier REMIC 2 will each constitute a “real estate mortgage investment conduit” (“REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”).

- The Certificates other than the A-R, RM and RL Classes will be the “regular interests” in the Upper Tier REMIC.
- The A-R Class will be the “residual interest” in the Upper Tier REMIC.
- The interests in Lower Tier REMIC 1 other than the RM Class (the “Lower Tier 1 Regular Interests”) will be the “regular interests” in Lower Tier REMIC 1.
- The RM Class will be the “residual interest” in Lower Tier REMIC 1.
- The interests in Lower Tier REMIC 2 other than the RL Class (the “Lower Tier 2 Regular Interests” and, together with the Lower Tier 1 Regular Interests, the “Lower Tier Regular Interests”) will be the “regular interests” in Lower Tier REMIC 2.
- The RL Class will be the “residual interest” in the Lower Tier REMIC 2.

The assets of the Upper Tier REMIC will consist of the Lower Tier Regular Interests, and the assets of Lower Tier REMIC 1 will consist of the Fixed Rate Loans. The assets of Lower Tier REMIC 2 will consist of the ARM Loans. The Mortgage Loans are insured by the Federal Housing Administration (“FHA”) or partially guaranteed by the U.S. Department of Veterans Affairs (“VA”) and generally, as a result of past delinquency, have been repurchased from Ginnie Mae pools. One group of Mortgage Loans bears fixed rates of interest (the “Fixed Rate Group” or the “Fixed Rate Loans”) and the other group of Mortgage Loans bears adjustable rates of interest (the “ARM Group” or the “ARM Loans”). As described in this prospectus, the Fixed Rate Mortgage Loans are divided into the “Category 1 Loans,” “Category 2 Loans,” “Category 3 Loans” and “Category 4 Loans.”

We will sometimes refer to the Classes and Certificates associated with the Fixed Rate Loans as the “Fixed Rate Group Classes” or the “Fixed Rate Group Certificates” and to the Classes and Certificates associated with the ARM Loans as the “ARM Group Classes” or “ARM Group Certificates.” Similarly, we will sometimes refer to the Classes and Certificates associated with the Category 1 Loans as the “Category 1 Classes” or “Category 1 Certificates,” to the Classes and Certificates associated with the Category 2 Loans as the “Category 2 Classes” or “Category 2 Certificates,” to the Classes and Certificates associated with the Category 3 Loans as the “Category 3 Classes” or “Category 3 Certificates,” and to the Classes and Certificates associated with the Category 4 Loans as the “Category 4 Classes” or “Category 4 Certificates.”

Authorized Denominations. We will issue the Senior Certificates (other than the A-R, RM and RL Classes) in minimum denominations of \$1,000 and whole dollar increments above that amount. We will issue the A-R, RM and RL Classes as a single Certificate (the “Combined Residual Certificate”) in a denomination of \$100. We will issue the Mezzanine Certificates in minimum denominations of \$100,000 and whole dollar increments above that amount.

Characteristics of Senior and Mezzanine Certificates. The Senior and Mezzanine Certificates, other than the A-R, RM and RL Classes, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“DTC”), a New York-chartered limited purpose trust company, or any successor or

depository selected or approved by us. We refer to the nominee of DTC as the “Holder” or “Certificateholder” of the Certificates. DTC will maintain the DTC Certificates through its book-entry facilities.

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

The holder of the Combined Residual Certificate will have the right to exchange the Combined Residual Certificate for three separate residual certificates (each, a “Separate Residual Certificate”) relating to each of the A-R, RM and RL Classes.

We will issue the Combined or any Separate Residual Certificate (a “Residual Certificate”) in fully registered, certificated form. The “Holder” or “Certificateholder” of a Residual Certificate is its registered owner. A Residual 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. U.S. Bank National Association in Boston, Massachusetts will be the initial transfer agent. We may impose a service charge for any registration of transfer of a Residual Certificate and may require payment to cover any tax or other governmental charge. In addition, the Combined Residual Certificate may be exchanged for the Separate Residual Certificates at the corporate trust office of the transfer agent or at the office of the transfer agent in New York, New York. See also “Description of the Senior and Mezzanine Certificates—Special Characteristics of A-R, RM and RL Classes.”

The Holder of the A-R Class will receive the proceeds of any remaining assets of the Upper Tier REMIC, the Holder of the RM Class will receive the proceeds of any remaining assets in Lower Tier REMIC 1, and the Holder of the RL Class will receive the proceeds of any remaining assets of Lower Tier REMIC 2, in each case only by presenting and surrendering the related Certificate at the office of the paying agent. Fannie Mae will be the initial paying agent.

See “Description of the Certificates—Book-Entry Procedures” and “—Special Characteristics of the A-R, RM and RL Classes” in this prospectus.

Distribution Date. We will make monthly payments on the Certificates on the 25th day of each month (or, if the 25th day is not a business day, on the first business day after the 25th). We refer to each of these dates as a “Distribution Date.” We will make the first payments to Certificateholders the month after we issue the Certificates.

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

Optional Clean-up Calls by Countrywide Servicing. Subject to certain conditions and limitations described in the Sale and Servicing Agreement, Countrywide Servicing may elect to purchase from Lower Tier REMIC 1 all of the Fixed Rate Loans or to purchase from Lower Tier REMIC 2 all of the ARM Loans on or after the first Distribution Date when the aggregate principal balance of the Fixed Rate Loans or ARM Loans has been reduced to 5% or less of the aggregate principal balance of the Fixed Rate Loans or ARM Loans, respectively, as of the Issue Date (such first date with respect to a Loan Group, the related “Optional Termination Date”). If the Fixed Rate Loans or ARM Loans are purchased in this way, it will have the same effect on the related Classes as a prepayment in full of all of the related Mortgage Loans.

THE MORTGAGE LOAN GROUPS

The mortgage loans to be delivered to the Trust on the Settlement Date will consist of the mortgage loans identified as of the Statistical Calculation Date (the “Initial Mortgage Pool”), as modified to account for additions and deletions of mortgage loans on or prior to the Settlement Date. The statistical information presented in this prospectus is based on the characteristics of the Initial Mortgage Pool (other than principal balances, remaining terms to maturity and mortgage loan ages) as of the Statistical Calculation Date. The principal balances, remaining terms to maturity and mortgage loan ages have been adjusted to reflect that information as of the Issue Date. As a result, the statistical distribution of characteristics of the mortgage loans as of the Settlement Date will vary from the statistical distribution of such characteristics of the mortgage loans as presented in this prospectus, although such variance will not be material. The Seller has provided us with detailed information regarding the Initial Mortgage Pool, which we summarize below.

The term “Mortgage Loans” as used in this prospectus generally refers to all of the mortgage loans actually included in the Trust. However, solely for purposes of the statistical information set forth under the heading “—General” below, the term “Mortgage Loans” refers to the mortgage loans included in the Initial Mortgage Pool.

Similarly, the terms “Fixed Rate Group,” “Fixed Rate Loans” or “Fixed Rate Loan Category” and “ARM Group” or “ARM Loans” as used in this prospectus generally refer to all of the mortgage loans in the Fixed Rate Group and ARM Group, respectively, actually included in the Trust. However, solely for the purposes of the statistical information set forth under the headings “—The Fixed Rate Group” and “—The ARM Group” below, the terms “Fixed Rate Group” or “Fixed Rate Loans” and “ARM Group” or “ARM Loans” refer to the mortgage loans in the Fixed Rate Group and ARM Group, respectively, that are included in the Initial Mortgage Pool.

General

As of the Statistical Calculation Date, the Initial Mortgage Pool consists of

- approximately 10,885 Fixed Rate Loans having an aggregate principal balance of approximately \$1,031,979,622 and
- approximately 695 ARM Loans having an aggregate principal balance of approximately \$66,376,569.

As of the Statistical Calculation Date, the Fixed Rate Loans consist of

- approximately 3,314 Category 1 Loans having an aggregate principal balance of approximately \$324,103,431,
- approximately 2,298 Category 2 Loans having an aggregate principal balance of approximately \$228,874,388,
- approximately 2,088 Category 3 Loans having an aggregate principal balance of approximately \$202,001,847, and
- approximately 3,185 Category 4 Loans having an aggregate principal balance of approximately \$276,999,955.

The aggregate amount of the mortgage loans actually delivered to the Trust on the Settlement Date may vary by plus or minus 10% with respect to each of the Fixed Rate Group and the ARM Group. It is expected that additional mortgage loans will be added to, and certain mortgage loans may be removed from, the Initial Mortgage Pool between the Issue Date and the Settlement Date. Notwithstanding any such additions or removals, the characteristics of the Mortgage Loans actually included in the Loan Groups or Categories on the Settlement Date are not expected to differ materially from the characteristics described in this prospectus.

The Mortgage Loans are first lien, one- to four-family, fully amortizing loans. With respect to the Initial Mortgage Pool, as of the Issue Date,

- approximately 78.20% of the Fixed Rate Group (including approximately 67.99% of the Category 1 Loans, approximately 81.55% of the Category 2 Loans, approximately 81.81% of the Category 3 Loans and approximately 84.76% of the Category 4 Loans) and approximately 95.63% of the ARM Group are insured by FHA (the “FHA Loans”) and
- approximately 21.80% of the Fixed Rate Group (including approximately 32.01% of the Category 1 Loans, approximately 18.45% of the Category 2 Loans, approximately 18.19% of the Category 3 Loans and approximately 15.24% of the Category 4 Loans) and approximately 4.37% of the ARM Group are partially guaranteed by VA (the “VA Loans”).

At the time of origination, all of the FHA Loans conformed to HUD origination guidelines and all of the VA Loans to VA origination guidelines. 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. We refer to the property that secures repayment of a Mortgage Loan as the “Mortgaged Property.”

Each of the Mortgage Loans was originated in accordance with the underwriting guidelines of FHA or VA, as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of Ginnie Mae. Substantially all the Mortgage Loans were pooled with Ginnie Mae and then purchased from Ginnie Mae pools when the Mortgage Loans had uncured delinquencies in accordance with Ginnie Mae guidelines.

The Mortgage Loans generally have terms not more than 30 years. Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make monthly payments of principal and interest 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”), without giving effect to any reduction thereto due to application of the Soldiers’ and Sailors’ Civil Relief Act of 1940. However, in the event the Master Servicer agrees to a reduction in the interest rate with respect to any Mortgage Loan as a loss mitigation alternative, the Mortgage Interest Rate for that Mortgage Loan thereafter will be the rate as so reduced. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a scheduled 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.

Generally, the regulations applicable to FHA loans permit borrowers to finance up to 97% of the outstanding principal balance of the purchase price, although certain special FHA loan programs permit borrowers to finance 100% of the purchase price plus closing costs. The VA loan programs generally permit borrowers to finance 100% of the purchase price plus closing costs. If closing costs are financed, then the related loan-to-value may exceed 100%.

Certain of the Mortgage Loans to be transferred to the Trust are subject to certain arrearages arising from unreimbursed interest, principal and servicing advances made on or prior to the Issue Date. These arrearages will not be the property of the Trust and any collections of such arrearage amounts will be paid to the advancing party. Additionally, any arrearage amounts not paid as described above will be paid out of recoveries on the Mortgage Loans (including collections, insurance proceeds and liquidation proceeds) prior to the deposit of any such recoveries into the Trust. With respect to the Initial Mortgage Pool, as of the Statistical Calculation Date, 8,997 Fixed Rate Loans representing an aggregate principal balance of approximately \$853,350,409 as of the Issue Date have arrearages in an aggregate amount of approximately \$16,549,976, and 603 ARM Loans representing an aggregate principal balance of approximately \$57,491,959 as of the Issue Date have arrearages in an aggregate amount of approximately \$1,486,150. Of the Fixed Rate Loans included in the Initial Mortgage Pool, as of the Statistical Calculation Date, 2,708 Category 1 Loans, 1,886 Category 2

Loans, 1,740 Category 3 Loans and 2,663 Category 4 Loans representing aggregate principal balances of approximately \$264,890,339, \$188,159,905, \$168,024,755 and \$232,275,410, respectively, as of the Issue Date have arrearages in aggregate amounts of approximately \$4,228,439, \$3,362,168, \$3,355,746 and \$5,603,623, respectively. (The numbers representing the aggregate arrearage amounts are approximations only, and are based on estimates that include (i) principal and interest payments on the related Mortgage Loans advanced by servicers on or prior to the Statistical Calculation Date, *plus* (ii) the aggregate amount of outstanding servicing advances with respect to those loans as of the Statistical Calculation Date. These estimates do not include certain related expenses incurred but not paid by servicers prior to the Statistical Calculation Date that, if paid, would constitute servicing advances.)

Initial Pool Statistics—Fixed Rate Group

General

The following sections provide information relating to the Fixed Rate Loans by Loan Category. For comparable information relating to the Fixed Rate Loans on an aggregate basis, see Exhibit B to this prospectus.

Category 1 Loans

The following tables set forth certain additional information, as of the Issue Date (unless otherwise stated), with respect to the Category 1 Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Category 1 Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency

Contractual Delinquency (Days) †	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
Current	1,054	\$102,483,096	31.62%	6.792%	311	34	4.6	7.1
30	1,081	104,536,308	32.25	6.802	313	38	3.4	5.9
60	744	73,343,301	22.63	6.822	317	36	2.6	5.0
90	339	33,849,782	10.44	6.842	317	35	1.8	4.1
120 or more	96	9,890,944	3.05	6.841	317	36	2.0	4.2
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
0††	1	\$ 143,444	0.04%	6.125%	357	2	—	—
1	200	20,950,105	6.46	6.854	321	29	1.0	3.8
2	603	59,567,342	18.38	6.827	319	34	2.0	4.6
3 or more	2,510	243,442,540	75.11	6.801	312	37	3.9	6.3
Total	3,314	\$ 324,103,431	100.00%					

* As of the Statistical Calculation Date, the balance weighted number of payments on the Category 1 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.4.

† As of the Statistical Calculation Date.

†† This loan will be excluded from the REMIC Trust to the extent it does not meet borrower payment requirements as of the Issue Date and appears in the table for statistical calculation purposes only.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
0††	2	\$ 319,996	0.10%	6.608%	357	3	1.7	—
1††	4	368,583	0.11	6.730	329	15	1.0	1.0
3	151	15,378,798	4.75	6.850	324	30	1.4	3.0
4	422	41,769,273	12.89	6.836	320	33	2.1	4.0
5	805	80,542,846	24.85	6.829	316	34	2.8	5.0
6 or more	1,930	185,723,935	57.30	6.791	310	38	4.1	6.8
Total	3,314	\$ 324,103,431	100.00%					

* As of the Statistical Calculation Date, the balance weighted number of payments made on the Category 1 Loans (based on their Issue Date Principal Balances) in the last six months is approximately 5.8.

† As of the Statistical Calculation Date.

†† These loans will be excluded from the REMIC Trust to the extent they do not meet borrower payment requirements as of the Issue Date and appear in the table for statistical calculation purposes only.

Issue Date Principal Balances*

Range of Issue Date Principal Balances	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
\$0.01– 25,000.00	19	\$ 370,527	0.11%	6.836%	175	69
\$ 25,000.01– 50,000.00	239	9,729,800	3.00	6.746	272	48
\$ 50,000.01– 75,000.00	760	48,497,166	14.96	6.806	300	44
\$ 75,000.01–100,000.00	868	75,588,251	23.32	6.790	310	40
\$100,000.01–150,000.00	1,101	133,363,924	41.15	6.812	319	33
\$150,000.01–200,000.00	295	49,385,622	15.24	6.842	325	29
\$200,000.01–250,000.00	28	5,968,793	1.84	6.860	337	17
\$250,000.01–300,000.00	2	522,871	0.16	6.748	333	27
\$300,000.01 or more	2	676,478	0.21	6.737	346	14
Total	3,314	\$324,103,431	100.00%			

* As of the Issue Date, the average principal balance of the Category 1 Loans is approximately \$97,798.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Less than 5.500	8	\$ 706,618	0.22%	5.102%	315	45
5.501-6.000	91	7,999,459	2.47	5.943	297	36
6.001-6.500	707	69,640,557	21.49	6.458	306	40
6.501-7.000	2,508	245,756,797	75.83	6.941	316	35
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Category 1 Loans is approximately 6.809%.

Remaining Term*

Range of Remaining Terms (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120	44	\$ 1,957,015	0.60%	6.772%	96	75
121-150	42	2,605,926	0.80	6.652	129	52
151-180	42	3,145,264	0.97	6.525	165	20
181-210	23	1,978,868	0.61	6.661	190	49
211-240	42	3,692,971	1.14	6.837	228	51
241-270	157	13,005,766	4.01	6.879	251	78
271-300	400	36,103,393	11.14	6.858	291	57
301-360	2,564	261,614,227	80.72	6.805	327	30
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Category 1 Loans is approximately 314 months.

Mortgage Loan Age (months) *

Range of Mortgage Loan Ages (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-14	612	\$ 66,928,921	20.65%	6.880%	333	9
15-24	761	83,093,909	25.64	6.798	336	19
25-36	122	10,555,270	3.26	6.703	330	29
37-60	1,511	138,669,527	42.79	6.779	299	51
61-120	306	24,753,018	7.64	6.870	264	86
121-180	2	102,785	0.03	7.000	135	135
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Category 1 Loans is approximately 36 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
California	383	\$ 45,779,210	14.12%	6.807%	312	39	3.6	6.1
Texas	474	36,047,969	11.12	6.718	313	37	3.4	5.8
Georgia	225	23,023,324	7.10	6.835	315	34	3.3	5.6
Maryland	178	20,263,942	6.25	6.878	311	41	3.4	6.1
Illinois	146	15,780,436	4.87	6.869	311	36	3.4	6.0
Arizona	144	14,743,212	4.55	6.792	322	32	3.2	5.5
Florida	180	14,673,308	4.53	6.847	310	38	3.4	5.9
Virginia	133	12,876,647	3.97	6.794	307	42	3.4	6.0
Colorado	93	12,121,465	3.74	6.823	320	32	3.2	5.5
Washington	82	10,958,985	3.38	6.777	322	31	3.1	5.7
Other	1276	117,834,933	36.36	6.813	314	35	3.4	5.7
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
FHA	2,326	\$220,366,575	67.99%	6.820%	319	32	3.4	5.9
VA	988	103,736,856	32.01	6.786	303	43	3.3	5.7
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Bankruptcy Status

Bankruptcy Status†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
Yes	167	\$ 15,387,640	4.75%	6.843%	307	46	3.1	5.9
No	3,147	308,715,791	95.25	6.807	314	35	3.4	5.8
Total	<u>3,314</u>	<u>\$324,103,431</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Category 2 Loans

The following tables set forth certain additional information, as of the Issue Date (unless otherwise stated), with respect to the Category 2 Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Category 2 Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency

Contractual Delinquency (Days) †	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Current	734	\$ 72,719,477	31.77%	7.381%	316	33	4.9	7.4
30 Days	749	73,995,415	32.33	7.375	318	33	3.5	5.9
60 Days	502	49,840,475	21.78	7.379	320	32	2.6	5.0
90 Days	238	24,896,674	10.88	7.379	325	28	1.7	4.0
120 or more	75	7,422,348	3.24	7.376	322	34	3.0	4.9
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
1	153	\$ 16,049,141	7.01%	7.384%	328	25	1.0	3.7
2	432	44,096,616	19.27	7.366	323	30	2.0	4.6
3 or more	1,713	168,728,632	73.72	7.381	317	34	4.1	6.5
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments on the Category 2 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.5.

† As of the Statistical Calculation Date.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
1††	1	\$ 86,409	0.04%	7.375%	357	3	1.0	1.0
3	119	12,409,540	5.42	7.371	331	22	1.4	3.0
4	296	30,099,654	13.15	7.373	324	29	2.0	4.0
5	578	56,982,453	24.90	7.382	321	31	2.8	5.0
6 or more	1,304	129,296,333	56.49	7.378	316	35	4.4	7.1
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments made on the Category 2 Loans (based on their Issue Date Principal Balances) in the last six months is approximately 5.9.

† As of the Statistical Calculation Date.

†† This loan will be excluded from the REMIC Trust to the extent it does not meet borrower payment requirements as of the Issue Date and appears in the table for statistical calculation purposes only.

Issue Date Principal Balances*

Range of Issue Date Principal Balances	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
\$ 0.01- 25,000.00	14	\$ 251,044	0.11%	7.454%	153	68
\$ 25,000.01- 50,000.00	163	6,730,688	2.94	7.405	286	50
\$ 50,000.01- 75,000.00	474	30,228,861	13.21	7.397	304	41
\$ 75,000.01-100,000.00	611	53,237,665	23.26	7.377	315	36
\$100,000.01-150,000.00	802	97,138,598	42.44	7.369	323	30
\$150,000.01-200,000.00	201	34,015,299	14.86	7.377	330	26
\$200,000.01-250,000.00	32	7,019,012	3.07	7.411	343	14
\$250,000.01-300,000.00	1	253,222	0.11	7.375	327	12
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>			

* As of the Issue Date, the average principal balance of the Category 2 Loans is approximately \$99,597.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
7.001- 7.500	2,298	\$228,874,388	100.00%	7.378%	319	32
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Category 2 Loans is approximately 7.378%.

Remaining Term*

Range of Remaining Terms (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120	22	\$ 1,034,591	0.45%	7.398%	104	75
121-150	13	548,594	0.24	7.377	129	50
151-180	10	716,106	0.31	7.425	159	37
181-210	11	717,956	0.31	7.387	193	57
211-240	52	4,470,113	1.95	7.423	228	63
241-270	109	8,684,108	3.79	7.458	254	83
271-300	395	34,825,506	15.22	7.404	290	53
301-360	1,686	177,877,415	77.72	7.368	333	25
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Category 2 Loans is approximately 319 months.

Mortgage Loan Age (months) *

Range of Mortgage Loan Ages (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 14	550	\$ 59,553,135	26.02%	7.367%	334	10
15- 24	723	77,915,780	34.04	7.348	335	20
25- 36	108	11,730,783	5.13	7.388	328	27
37- 60	584	52,238,434	22.82	7.401	304	51
61-120	327	27,004,538	11.80	7.441	269	81
121-180	6	431,719	0.19	7.436	210	127
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Category 2 Loans is approximately 32 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
California	285	\$ 34,159,669	14.93%	7.389%	319	32	3.8	6.2
Illinois	159	16,619,760	7.26	7.377	317	32	3.4	6.0
Texas	200	15,645,147	6.84	7.376	310	36	3.5	5.7
Florida	173	13,944,376	6.09	7.373	315	34	3.4	6.1
Maryland	123	13,782,057	6.02	7.416	310	36	3.5	6.0
Arizona	124	12,415,789	5.42	7.381	330	26	3.2	5.6
Georgia	116	11,359,636	4.96	7.376	321	30	3.7	5.9
Michigan	109	10,100,714	4.41	7.386	331	25	3.4	5.6
Virginia	90	9,226,103	4.03	7.406	311	43	3.9	6.6
Colorado	59	7,920,075	3.46	7.341	333	24	3.4	5.7
Other	860	83,701,063	36.57	7.369	319	32	3.4	5.9
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
FHA	1,895	\$186,652,220	81.55%	7.375%	322	29	3.5	5.9
VA	403	42,222,169	18.45	7.393	305	46	3.5	6.0
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Bankruptcy Status

Bankruptcy Status†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Yes	125	\$ 10,976,012	4.80%	7.392%	299	51	3.2	6.0
No	2,173	217,898,376	95.20	7.378	320	31	3.5	5.9
Total	<u>2,298</u>	<u>\$228,874,388</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Category 3 Loans

The following tables set forth certain additional information, as of the Issue Date (unless otherwise stated), with respect to the Category 3 Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Category 3 Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency

Contractual Delinquency (Days)†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Current	600	\$ 58,308,073	28.87%	7.622%	315	37	5.0	7.5
30	680	64,362,795	31.86	7.641	311	42	3.5	5.9
60	506	49,935,455	24.72	7.647	318	37	2.6	5.0
90	207	19,657,821	9.73	7.632	316	35	1.8	4.0
120 or more	95	9,737,704	4.82	7.647	316	41	2.3	4.5
Total	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
1	133	\$ 12,873,905	6.37%	7.629%	321	34	1.0	3.8
2	405	40,075,220	19.84	7.640	319	34	2.0	4.5
3 or more	1,550	149,052,723	73.79	7.636	313	40	4.1	6.4
Total	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments on the Category 3 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.5.

† As of the Statistical Calculation Date.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
3	123	\$ 11,671,198	5.78%	7.640%	317	34	1.6	3.0
4	257	25,888,036	12.82	7.632	323	32	2.0	4.0
5	532	51,084,833	25.29	7.650	316	37	2.8	5.0
6 or more	1,176	113,357,780	56.12	7.631	312	41	4.3	7.0
Total	2,088	\$202,001,847	100.00%					

* As of the Statistical Calculation Date, the balance weighted number of payments made on the Category 3 Loans (based on their Issue Date Principal Balances) in the last six months is approximately 5.9.

† As of the Statistical Calculation Date.

Issue Date Principal Balances*

Range of Issue Date Principal Balances	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
\$0.01- 25,000.00	9	\$ 190,102	0.09%	7.559%	204	81
\$ 25,000.01- 50,000.00	175	7,279,765	3.60	7.649	285	54
\$ 50,000.01- 75,000.00	508	32,138,480	15.91	7.647	300	48
\$ 75,000.01-100,000.00	525	45,742,340	22.64	7.645	310	42
\$100,000.01-150,000.00	683	83,043,124	41.11	7.636	319	36
\$150,000.01-200,000.00	156	26,234,344	12.99	7.617	330	28
\$200,000.01-250,000.00	25	5,368,281	2.66	7.598	340	20
\$250,000.01-300,000.00	5	1,336,750	0.66	7.549	349	11
\$300,000.01 or more	2	668,660	0.33	7.637	340	19
Total	2,088	\$202,001,847	100.00%			

* As of the Issue Date, the average principal balance of the Category 3 Loans is approximately \$96,744.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
7.001-7.500	1,029	\$101,941,042	50.47%	7.500%	313	39
7.501-8.000	1,059	100,060,806	49.53	7.775	316	37
Total	2,088	\$202,001,847	100.00%			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Category 3 Loans is approximately 7.636%.

Remaining Term*

Range of Remaining Terms (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120	15	\$ 643,122	0.32%	7.618%	102	73
121-150	11	554,091	0.27	7.516	131	52
151-180	17	1,060,912	0.53	7.662	163	65
181-210	10	798,481	0.40	7.706	191	49
211-240	32	2,593,903	1.28	7.618	231	77
241-270	129	10,170,697	5.03	7.590	254	86
271-300	432	37,417,327	18.52	7.647	290	61
301-360	1,442	148,763,314	73.64	7.637	330	28
Total	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Category 3 Loans is approximately 315 months.

Mortgage Loan Age (months) *

Range of Mortgage Loan Ages (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 14	350	\$ 39,217,218	19.41%	7.597%	338	9
15- 24	409	43,857,415	21.71	7.630	337	20
25- 36	231	23,504,661	11.64	7.718	328	28
37- 60	668	60,220,769	29.81	7.641	303	51
61-120	422	34,584,265	17.12	7.627	275	78
121-180	6	491,669	0.24	7.537	230	125
181-240	2	125,851	0.06	7.500	164	194
Total	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Category 3 Loans is approximately 38 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
California	253	\$ 30,317,055	15.01%	7.646%	312	42	3.5	6.0
Illinois	140	14,796,496	7.32	7.597	312	41	3.4	6.1
Texas	191	14,563,206	7.21	7.639	304	43	3.4	5.7
Michigan	153	14,327,938	7.09	7.646	330	25	3.4	5.7
Florida	166	13,287,344	6.58	7.665	311	39	3.2	5.6
Maryland	123	13,223,750	6.55	7.615	313	38	3.5	6.1
Georgia	99	8,754,508	4.33	7.642	306	45	3.1	5.6
Virginia	82	7,828,436	3.88	7.616	302	54	3.3	5.8
Arizona	74	7,401,443	3.66	7.623	328	29	3.5	5.9
Colorado	53	7,336,203	3.63	7.613	337	23	4.2	6.3
Other	754	70,165,467	34.74	7.642	315	38	3.5	5.9
Total	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
FHA.....	1,724	\$165,257,452	81.81%	7.643%	318	35	3.5	5.9
VA.....	364	36,744,396	18.19	7.607	299	54	3.5	5.8
Total.....	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Bankruptcy Status

Bankruptcy Status†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Yes.....	143	\$ 12,378,821	6.13%	7.652%	299	56	3.3	6.2
No.....	1,945	189,623,026	93.87	7.635	316	37	3.5	5.9
Total.....	<u>2,088</u>	<u>\$202,001,847</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Category 4 Loans

The following tables set forth certain additional information, as of the Issue Date (unless otherwise stated), with respect to the Category 4 Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Category 4 Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency

Contractual Delinquency (Days) †	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Current.....	886	\$ 76,143,736	27.49%	8.337%	307	46	4.7	7.4
30.....	1,100	91,898,192	33.18	8.370	307	47	3.4	6.0
60.....	714	64,845,364	23.41	8.358	312	44	2.7	5.2
90.....	311	27,491,995	9.92	8.364	312	43	1.8	4.2
120 or more.....	174	16,620,669	6.00	8.442	308	47	2.1	4.5
Total.....	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
0††.....	2	\$ 230,466	0.08%	8.000%	312	47	—	—
1.....	212	19,909,373	7.19	8.424	315	42	1.0	3.9
2.....	560	50,718,466	18.31	8.369	312	43	2.0	4.7
3 or more.....	<u>2,411</u>	<u>206,141,651</u>	<u>74.42</u>	8.355	307	47	3.9	6.4
Total.....	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments on the Category 4 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.4.

† As of the Statistical Calculation Date.

†† These loans will be excluded from the REMIC Trust to the extent they do not meet borrower payment requirements as of the Issue Date and appear in the table for statistical calculation purposes only.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
0††.....	2	\$ 230,466	0.08%	8.000%	312	47	—	—
3.....	160	15,590,267	5.63	8.407	314	41	1.5	3.0
4.....	370	31,651,853	11.43	8.377	312	41	2.1	4.0
5.....	760	66,758,924	24.10	8.346	309	46	2.7	5.0
6 or more.....	<u>1,893</u>	<u>162,768,445</u>	<u>58.76</u>	8.362	307	47	4.1	7.0
Total.....	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments made on the Category 4 Loans (based on their Issue Date Principal Balances) in the last six months is approximately 5.9.

† As of the Statistical Calculation Date.

†† These loans will be excluded from the REMIC Trust to the extent they do not meet borrower payment requirements as of the Issue Date and appear in the table for statistical calculation purposes only.

Issue Date Principal Balances*

Range of Issue Date Principal Balances	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
\$ 0.01– 25,000.00.....	44	\$ 751,089	0.27%	8.721%	193	107
\$ 25,000.01– 50,000.00.....	466	18,983,058	6.85	8.472	275	70
\$ 50,000.01– 75,000.00.....	891	56,119,002	20.26	8.379	297	54
\$ 75,000.01–100,000.00.....	755	65,047,810	23.48	8.345	310	46
\$100,000.01–150,000.00.....	827	100,438,956	36.26	8.354	316	41
\$150,000.01–200,000.00.....	179	30,253,649	10.92	8.311	325	33
\$200,000.01–250,000.00.....	19	4,192,741	1.51	8.386	328	28
\$250,000.01–300,000.00.....	3	809,484	0.29	8.166	328	28
\$300,000.01 or more.....	<u>1</u>	<u>404,166</u>	<u>0.15</u>	9.000	340	20
Total.....	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>			

* As of the Issue Date, the average principal balance of the Category 4 Loans is approximately \$86,970.

Mortgage Interest Rates*

<u>Range of Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
7.501- 8.000	1,183	\$106,519,572	38.45%	7.999%	306	46
8.001- 8.500	1,330	116,041,234	41.89	8.406	311	45
8.501- 9.000	546	45,202,709	16.32	8.875	312	45
9.001- 9.500	101	8,526,900	3.08	9.407	302	52
9.501-10.000	10	309,279	0.11	9.874	217	135
10.001-10.500	12	359,403	0.13	10.500	193	160
11.501-12.000	1	20,725	0.01	12.000	180	168
12.001-12.500	1	10,917	0.00	12.500	92	206
12.501-13.000	1	9,216	0.00	13.000	40	267
Total	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Category 4 Loans is approximately 8.362%.

Remaining Term*

<u>Range of Remaining Terms (months)</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1-120	46	\$ 1,322,268	0.48%	8.335%	92	91
121-150	19	1,104,112	0.40	8.335	138	54
151-180	41	1,862,456	0.67	8.812	164	144
181-210	36	1,903,813	0.69	8.870	196	101
211-240	102	7,435,650	2.68	8.362	229	106
241-270	219	15,221,452	5.50	8.349	258	91
271-300	693	51,445,876	18.57	8.283	286	70
301-360	<u>2,029</u>	<u>196,704,328</u>	<u>71.01</u>	<u>8.375</u>	<u>326</u>	<u>32</u>
Total	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Category 4 Loans is approximately 309 months.

Mortgage Loan Age (months) *

Range of Mortgage Loan Ages (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 14	149	\$ 16,185,458	5.84%	8.093%	335	8
15- 24	148	15,941,014	5.75	8.145	335	20
25- 36	1,083	104,429,053	37.70	8.499	326	31
37- 60	776	69,753,849	25.18	8.284	313	43
61-120	905	64,037,363	23.12	8.310	273	79
121-180	89	5,363,770	1.94	8.628	218	133
181-240	32	1,251,235	0.45	9.065	163	193
241-320	3	38,214	0.01	10.114	70	276
Total	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Category 4 Loans is approximately 46 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
California	434	\$ 45,274,171	16.34%	8.308%	304	51	3.5	6.1
Michigan	286	23,428,739	8.46	8.504	320	36	3.4	5.8
Texas	327	21,762,337	7.86	8.328	302	47	3.3	5.7
Florida	275	19,558,943	7.06	8.429	299	53	3.2	6.0
Maryland	158	15,973,902	5.77	8.402	308	46	3.1	6.0
Georgia	154	13,707,788	4.95	8.335	308	47	3.3	5.9
Illinois	144	13,480,232	4.87	8.333	310	45	4.0	6.7
New York	102	11,224,920	4.05	8.461	308	47	3.1	5.9
Virginia	122	11,209,374	4.05	8.308	308	46	3.3	5.8
Arizona	105	9,272,636	3.35	8.387	319	38	3.4	6.0
Other	<u>1,078</u>	<u>92,106,912</u>	<u>33.25</u>	<u>8.340</u>	<u>311</u>	<u>45</u>	<u>3.3</u>	<u>5.8</u>
Total	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
FHA	2,725	\$234,774,875	84.76%	8.381%	311	44	3.4	6.0
VA	460	42,225,080	15.24	8.258	295	58	3.3	5.8
Total	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Bankruptcy Status

Bankruptcy Status†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Yes	256	\$ 19,998,891	7.22%	8.359%	293	60	3.4	6.7
No	2,929	257,001,064	92.78	8.362	310	45	3.4	5.9
Total	<u>3,185</u>	<u>\$276,999,955</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

The Initial Pool Statistics—ARM Group

Each ARM Loan has a Mortgage Interest Rate that is subject to adjustment on the dates specified in the related Mortgage Note (each, an “Interest Adjustment Date”) 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 or “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 ARM Loan will not increase or decrease by more than 1% on any Interest Adjustment Date. In no event will the Mortgage Interest Rate on any ARM Loan exceed the maximum interest rate over the life of the loan that is specified in the related Mortgage Note (the “Mortgage Interest Rate Life Cap”).

The following tables set forth certain additional information, as of the Statistical Calculation Date based on Issue Date Principal Balances (unless otherwise stated), with respect to the ARM Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the ARM Group as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency*

Contractual Delinquency (Days)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Current	196	\$18,192,848	27.41%	6.598%	289	71	5.0	8.3
30	234	22,225,572	33.48	6.176	301	59	3.5	6.1
60	161	16,195,637	24.40	6.085	304	54	2.5	5.1
90	56	5,678,676	8.56	6.223	307	53	2.0	4.4
120 or more	48	4,083,836	6.15	6.588	281	79	2.6	5.6
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date.

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1	37	\$ 3,449,883	5.20%	6.272%	293	67	1.0	4.0
2	144	14,388,771	21.68	6.135	307	53	2.0	4.7
3 or more	514	48,537,914	73.13	6.349	295	64	4.1	6.9
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments on the ARM Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.5.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3	28	\$ 2,499,959	3.77%	6.498%	296	64	1.7	3.0
4	84	8,551,726	12.88	5.921	315	45	2.0	4.0
5	169	16,333,755	24.61	6.113	306	53	2.7	5.0
6 or more	414	38,991,129	58.74	6.447	291	69	4.2	7.5
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments made on the ARM Loans (based on their Issue Date Principal Balances) in the last six months is approximately 6.3.

Issue Date Principal Balances*

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0.01- 25,000.00	1	\$ 24,453	0.04%	6.125%	260	100	3.0	4.0
25,000.01- 50,000.00	55	2,322,291	3.50	6.660	273	87	3.3	6.0
50,000.01- 75,000.00	184	11,861,212	17.87	6.615	285	75	3.5	6.6
75,000.01-100,000.00	171	14,952,962	22.53	6.386	287	73	3.5	6.4
100,000.01-150,000.00	235	28,150,992	42.41	6.273	301	59	3.5	6.4
150,000.01-200,000.00	38	6,571,842	9.90	5.791	331	29	3.5	5.6
200,000.01-250,000.00	10	2,231,149	3.36	5.453	329	19	2.8	5.1
250,000.01-300,000.00	1	261,668	0.39	6.500	321	39	2.0	5.0
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Issue Date, the average principal balance of the ARM Loans is approximately \$95,506.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less than 5.500	129	\$15,793,841	23.79%	5.314%	333	25	3.0	5.5
5.501-6.000	94	9,571,918	14.42	5.849	309	51	3.2	5.8
6.001-6.500	134	12,189,193	18.36	6.358	286	73	3.2	6.0
6.501-7.000	255	22,028,460	33.19	6.805	281	79	3.5	6.5
7.001-7.500	51	4,349,480	6.55	7.249	267	93	6.0	8.8
7.501-8.000	27	2,046,646	3.08	7.825	289	71	4.3	7.6
8.001-8.500	5	397,031	0.60	8.125	271	89	3.9	7.8
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the weighted average Mortgage Interest Rate of the ARM Loans (based on the Issue Date Principal Balances) is approximately 6.299%.

Mortgage Interest Rate Life Caps*

Range of Mortgage Interest Rates Life Caps (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
9.001 - 9.500	3	\$ 285,064	0.43%	4.500%	346	14	4.2	5.5
9.501 - 10.000	13	1,115,402	1.68	5.819	281	79	3.3	6.2
10.001 - 10.500	91	10,108,095	15.23	5.693	321	39	3.4	5.7
10.501 - 11.000	156	16,222,970	24.44	6.128	307	51	3.3	6.0
11.001 - 11.500	147	13,792,389	20.78	6.461	295	65	3.5	6.3
11.501 - 12.000	143	12,066,716	18.18	6.663	289	71	3.8	7.2
12.001 - 12.500	87	8,017,720	12.08	6.504	288	72	3.4	6.1
12.501 - 13.000	38	3,091,885	4.66	6.591	270	90	3.5	6.1
13.001 - 13.500	13	1,279,202	1.93	6.825	265	95	4.0	7.0
13.501 - 14.000	4	397,126	0.60	6.492	227	133	3.1	6.3
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the weighted average mortgage interest rate life cap in the ARM Loans (based on the Issue Date Principal Balances) is approximately 11.466%.

Mortgage Interest Rate Margins*

Range of Mortgage Interest Rate Margins (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less than or equal to 2.000	110	\$ 9,929,343	14.96%	6.080%	262	98	3.4	6.2
2.001 - 2.500	67	5,522,808	8.32	6.419	287	73	3.4	6.6
2.501 - 3.000	518	50,924,418	76.72	6.329	306	54	3.5	6.2
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the weighted average mortgage interest rate margin of the ARM Loans (based on the Issue Date Principal Balances) is approximately 2.635%.

Next Interest Rate Adjustment Date*

Next Interest Rate Adjustment Date	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
April 2003	167	\$16,074,777	24.22%	6.307%	298	62	3.6	6.5
July 2003	201	19,977,514	30.10	6.044	308	52	3.4	6.1
October 2003	161	14,391,795	21.68	6.558	287	71	3.7	6.4
January 2004	166	15,932,483	24.00	6.376	295	65	3.3	6.2
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the weighted average number of months to next interest rate adjustment date of the ARM Loans (based on the Issue Date Principal Balances) is 5.364.

Remaining Term*

Range of Remaining Terms (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
181-210	5	\$ 567,770	0.86%	5.808%	195	111	2.8	6.0
211-240	25	1,911,071	2.88	6.217	232	128	4.0	7.0
241-270	163	13,715,655	20.66	6.627	260	100	3.7	6.6
271-300	293	24,946,481	37.58	6.810	287	73	3.6	6.7
301-360	<u>209</u>	<u>25,235,592</u>	<u>38.02</u>	<u>5.633</u>	<u>336</u>	<u>24</u>	<u>3.2</u>	<u>5.6</u>
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average remaining term of the ARM Loans is approximately 298 months.

Mortgage Loan Age (months) *

Range of Mortgage Loan Ages (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1- 14	84	\$10,775,925	16.23%	5.692%	349	11	3.1	5.3
15- 24	33	4,283,696	6.45	5.051	342	18	2.9	5.2
25- 36	28	3,389,870	5.11	5.496	327	33	3.0	6.2
37- 60	74	7,867,453	11.85	5.972	311	46	3.6	6.1
61-120	447	37,800,638	56.95	6.759	277	83	3.7	6.7
121-180	<u>29</u>	<u>2,258,987</u>	<u>3.40</u>	<u>6.208</u>	<u>227</u>	<u>131</u>	<u>3.8</u>	<u>6.9</u>
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average mortgage loan age of the ARM Loans is approximately 62 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
California	110	\$11,467,947	17.28%	6.473%	280	80	3.5	6.2
Maryland	67	6,844,144	10.31	6.390	293	67	3.9	6.6
Illinois	64	6,141,148	9.25	6.506	301	59	3.6	6.7
Colorado	30	4,478,604	6.75	5.643	336	24	3.2	5.4
Michigan	47	4,108,496	6.19	6.048	321	39	3.4	5.8
Georgia	35	3,240,599	4.88	6.340	301	59	3.9	6.6
Florida	39	2,813,580	4.24	6.632	287	73	3.7	7.0
New York	18	2,485,920	3.75	6.060	280	70	2.8	5.2
Virginia	30	2,432,666	3.66	6.417	293	67	3.0	6.5
Ohio	30	2,415,817	3.64	6.372	300	60	3.5	7.8
Other	225	19,947,648	30.05	6.256	299	61	3.4	6.1
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
FHA	664	\$ 63,474,284	95.63%	6.282%	299	60	3.5	6.2
VA	31	2,902,284	4.37	6.670	261	99	4.0	6.7
Total	<u>695</u>	<u>\$ 66,376,569</u>	<u>100.00%</u>					

Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
Yes	101	\$ 8,668,956	13.06%	6.644%	278	82	3.4	7.6
No	594	57,707,613	86.94	6.247	301	59	3.5	6.1
Total	<u>695</u>	<u>\$66,376,569</u>	<u>100.00%</u>					

FHA and VA Loan Programs

FHA Loans. FHA is an organizational unit within the U.S. Department of Housing and Urban Development (“HUD”). FHA was established to encourage improvement in housing standards and conditions to exert a stabilizing influence on the mortgage market. FHA provides insurance for private lenders against loss on eligible mortgages. Under the FHA mortgage insurance program, an FHA home mortgage may be made to borrowers meeting certain credit standards by an approved mortgage lender. FHA insures payment to the holder of that loan in the event of default by the borrower. The FHA Loans will be insured by FHA as authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. No FHA Loan may have an original principal amount exceeding the applicable FHA limits at the time of its origination.

New FHA loans are made only to creditworthy borrowers and, since December 1989, FHA loans may be assumed only by a purchaser of the mortgaged property subject to FHA credit underwriting guidelines. For FHA loans originated prior to December 1989 FHA historically has permitted a borrower to sell his or her home to a new homeowner, subject to the existing FHA loan without requiring a determination whether the new homeowner would be a creditworthy borrower. In those instances, the original borrower is not relieved of liability for the mortgage note, although no assurance can be made that the note can be enforced against the original borrower. Moreover, to the extent the new homeowner has not executed an agreement to assume the mortgage debt, the mortgage

note cannot be enforced against the new homeowner. The mortgage loan, however, would remain secured by the related mortgaged property and the FHA insurance would remain in effect. The regulations governing assumptions on FHA loans have varied in many respects over the years during which the FHA Loans in the Trust were originated.

Insurance premiums for FHA loans are paid at origination by the borrower or are collected by the applicable servicer from the borrower and paid to FHA. The regulations governing FHA insured single-family mortgage insurance programs generally provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged property to HUD. With respect to a defaulted FHA loan, the related servicer may be limited in its ability to initiate foreclosure proceedings. Historically, pursuant to an assignment program adopted by HUD pursuant to a consent decree in 1976 (the "Assignment Program"), HUD in certain circumstances offered qualified borrowers who had defaulted on an FHA loan an opportunity to avoid foreclosure and retain their homes. Under the Assignment Program, FHA serviced FHA insured mortgage loans that had defaulted and been assigned to HUD under the Assignment Program. In April 1996, the Assignment Program was terminated and replaced with mandatory loss mitigation procedures, whereby the servicer of defaulted FHA insured loans must choose from a variety of tools, including special forbearance, mortgage modification, "streamline refinancing," pre-foreclosure sales, and deeds-in-lieu of foreclosure to cure a default prior to filing an FHA insurance claim. The new loss mitigation procedures also permit lenders in certain circumstances to submit partial claims for FHA Insurance benefits.

The Master Servicer will act as the "contract of insurance holder" for the benefit of the Trust with respect to the Mortgage Loans it master services and, as such, will submit all claims to HUD. Under certain circumstances, as set forth in the regulations, HUD is authorized to request or require a servicer to pursue a deficiency judgment against any defaulting borrower. In this regard, HUD may request or require (as the case may be under the regulations) the servicer to pursue a deficiency judgment in connection with the foreclosure. Under neither case would the servicer be responsible for collecting on the judgment. Further, HUD may reimburse the servicer for all additional costs of seeking the judgment. Each servicer is the mortgagee with respect to each FHA loan that it services for purposes of the FHA insurance solely to facilitate servicing. Furthermore, no holder, by virtue of holding a Certificate, will have any right against FHA or HUD with respect to the contract of mortgage insurance applicable to any FHA Loan, and each Certificateholder, by its acceptance of a Certificate, or an interest therein, will be deemed to have agreed to the foregoing.

The amount of insurance benefits generally paid by the FHA is equal to the entire unpaid principal balance of the defaulted FHA loan plus delinquent interest and minus two months' interest thereon, in each case at the debenture rate specified by the FHA, and will be applied first to reimburse the servicer for certain unpaid costs, expenses and advances, and may be subject to certain additional adjustments imposed by the FHA. When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance to HUD, the servicer is generally compensated for no more than two-thirds of its foreclosure and acquisition costs, attorneys' fees (which costs are evaluated based upon our guidelines), and certain other permissible costs in accordance with HUD guidelines, and is compensated for accrued and unpaid mortgage interest for a limited period prior to the institution of foreclosure or other acquisition in general only to the extent it was subject to a written forbearance agreement between the servicer and the borrower consistent with HUD guidelines.

FHA has the option, in most cases, to pay insurance claims in cash or in debentures issued by FHA. Presently, claims for most single-family programs are being paid in cash and, for the most part, claims have not been paid in debentures since 1965. The debentures can have maturities of up to 20 years. If a debenture is issued by FHA, the Master Servicer will be obligated to purchase such debenture from the Trust with the proceeds of such purchase being passed through to Certificateholders. Any such purchase will be made at a price equal to the par amount of the debenture plus interest accrued on such amount at the related Net Mortgage Rate less certain advances. However, if

the par amount of the debenture is less than the unpaid principal balance of the related Mortgage Loan, the deficiency will represent a Realized Loss and will be allocated to the related Classes of Subordinate Certificates until the aggregate principal balance of those Certificates is reduced to zero. Any such loss occurring after the aggregate principal balance of the related Classes of Subordinate Certificates has been reduced to zero will be allocated to the related Classes of Mezzanine Certificates.

For each FHA Loan, the applicable debenture rate, as announced from time to time by FHA is the rate in effect at the date of the insurance commitment or endorsement for insurance, whichever rate is higher. The FHA debenture rate that applies to a particular FHA Loan generally is lower than the Mortgage Interest Rate on that loan.

VA Loans

The VA currently administers a variety of federal assistance programs on behalf of eligible veterans and their dependents and beneficiaries, including the VA loan guaranty program. Under the VA loan guaranty program, a VA Loan may be made to any eligible veteran by an approved private sector mortgage lender subject to the underwriting guidelines of the VA. With respect to any VA loan guaranteed after March 1, 1988, a borrower generally may sell the related mortgaged property subject to the existing VA loan only with the prior approval of the VA or certain VA lenders. In general, the buyer must be creditworthy and must agree to assume the loan obligation. With respect to a VA loan guaranteed before March 1, 1988, however, the borrower generally has an unrestricted right to sell the related mortgaged property subject to the existing VA loan thus permitting the buyer to take over payments on the loan without any prior credit qualification. The existing borrower however is released from liability on the mortgage note only if the buyer qualifies as an acceptable credit risk and agrees to assume the loan obligation. If the existing borrower is not released from liability, there can be no assurance that the mortgage note can be enforced against such mortgagor, and to the extent the new homeowner does not execute an agreement to assume the mortgage debt, the note cannot be enforced against the new homeowner. The mortgage loan, however, would remain secured by the related mortgaged property and the VA guaranty would remain in effect.

The VA Loans are partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended. The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase or refinancing of a one-to-four family dwelling unit. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guaranty of mortgage loans of up to 30 years' duration. However, no VA Loan will have an original principal amount greater than four times the amount of the related guaranty. VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of that loan, up to a maximum dollar amount, in the event of default by the veteran borrower.

With respect to a defaulted VA Loan, the servicer is, absent exceptional circumstances, authorized to announce its intention to foreclose only when the default has continued for three months. However, notwithstanding the foregoing, the regulations require the servicer to take immediate action if it determines that the property to be foreclosed upon has been abandoned by the debtor or has been or may be subject to extraordinary waste or if there exist conditions justifying the appointment of a receiver for the property. Additionally, under some circumstances, the VA may decline to accept conveyance of a mortgaged property unless the lender forgoes a portion of the outstanding indebtedness, in which case the Certificateholders may experience a Realized Loss as to the related Mortgage Loan.

When a delinquency is reported to VA and no realistic alternative to foreclosure is developed by the loan holder or through the VA's supplemental servicing of the loan, the VA determines, through an economic analysis, whether the VA will (a) authorize the holder to convey the property securing the VA loan to the Secretary of Veterans Affairs following termination or (b) pay the loan guaranty amount to the holder. The decision as to disposition of properties securing defaulted VA loans is made

on a case-by-case basis using the procedures set forth in applicable statutes, regulations and guidelines. If the property is conveyed to the VA, then the VA pays the lender the full unpaid principal balance of the related VA loan plus accrued and unpaid interest and certain expenses, subject to VA guidelines.

The amount payable under the guaranty will be the percentage (the “VA Entitlement Percentage”) of the VA loan originally guaranteed applied to the indebtedness outstanding as of the applicable date of computation specified in the VA regulations, subject to any applicable caps. As of the date hereof, the maximum guaranties that may be issued by the VA under a VA loan are generally (a) as to loans with an original principal balance of \$45,000 or less, 50% of such loan, (b) as to loans with an original principal balance of greater than \$45,000, but not more than \$56,250, \$22,500; (c) as to loans with an original principal balance of more than \$56,250, except those loans that are described in (d), below, the lesser of \$36,000 and 40% of the loan, and (d) as to loans with an original principal balance of more than \$144,000 (for loans made to purchase or construct an owner-occupied, single-family home or condominium unit), the lesser of \$60,000 and 25% of the loan. The liability on the guaranty is reduced or increased *pro rata* with any reduction or increase in the unpaid principal balance of indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty.

FHA and VA Loan Servicing Procedures

FHA Loans

The Master Servicer will be required to be diligent in pursuing claims or causing claims to be pursued for defaulted FHA Loans and abide by FHA collection and default timetables.

Under the FHA mortgage insurance program’s loss mitigation procedures, the lender may accelerate an insured loan following a default only after the lender or its agent has contacted the borrower to discuss the reasons for the default and to seek its cure. The lender may enter into a modification agreement with the borrower that extends the maturity date of the loan term for up to ten years beyond the original maturity date and that reduces the applicable Mortgage Interest Rate. Such an extension would extend the weighted average lives of the Certificates and may reduce the weighted average Net Mortgage Rate of the Mortgage Loans. Other tools available to the lender to avoid foreclosure include special forbearance, “streamline refinancing,” pre-foreclosure sales, and deeds-in-lieu of foreclosure. The loss mitigation procedures also permit lenders in certain circumstances to submit partial claims for FHA insurance benefits.

If the borrower does not cure the default and loss mitigation techniques are not effective, the lender may accelerate the loan and obtain a deed-in-lieu of foreclosure or begin a foreclosure action. The lender may rescind the acceleration of maturity after full payment is due and reinstate the loan only if the borrower brings the loan current, executes a modification agreement or agrees to an acceptable repayment plan.

Generally, an action to initiate foreclosure on any FHA insured mortgage loan must be filed with the local jurisdiction within six months after the date of default. Once the foreclosure process is complete, the lender may submit a claim to FHA. Historically, FHA has paid claims in a timely manner, provided the lender has complied with FHA rules and requirements. A lender’s failure to comply with FHA rules and requirements may result in the reduction or curtailment of claim payments or, in limited instances, in the denial of a claim, in whole or in part.

VA Loans

Servicers of VA loans, including the Master Servicer, are required to service them in a manner consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. A servicer is required to be diligent in abiding by VA collection and default timetables. Consistent with these servicing standards, a servicer in its discretion may waive late

payment charges or assumption fees and arrange with a borrower a schedule for repayment of due and unpaid principal and interest so long as, by such action, the Master Servicer does not knowingly or intentionally cause the termination of the REMIC status of the related REMIC or the imposition of an entity-level tax on the Trust.

A notice to VA of intent to begin action need not be given within any prescribed period of time. This flexibility affords a servicer time to work with a deserving borrower to avoid liquidation. Barring exceptional circumstances, the notice should not be given until a default has continued for 90 days. If the mortgaged property is in jeopardy, however, the notice should be filed as soon as the risk becomes known to the servicer. Except upon express waiver by VA, a servicer may not begin foreclosure until VA has been notified 30 days in advance of this intent to liquidate. In the case of a mortgage loan assumption, a servicer must make a good faith effort to notify the original borrower of its intention by certified mail. Failure to notify the original borrower may result in the loss of the VA guaranty with respect to that mortgaged property. The servicer must request a liquidation appraisal at least 30 days prior to the projected foreclosure sale in addition to furnishing VA with a VA “status of account” form to estimate the projected claim amount that is necessary to prepare the bid amount.

In the event that a borrower’s income has decreased such that a borrower cannot maintain payments at the current amount or make up any delinquent payments, the servicer may modify the payment terms of the related loan only if it determines that such modification will allow the borrower to keep the loan current. The servicer cannot release the borrower from personal liability, but may include accrued and unpaid interest in the mortgage loan indebtedness that is extended or reamortized. A modification is permissible to the extent that at least 80% of the loan balance extended will amortize over the remaining term of the mortgage loan.

A servicer must deliver to VA the lender’s “election to convey” within 15 days of the foreclosure sale or the servicer loses its right to transfer the related mortgaged property. Upon receipt of advice that VA elects not to specify a bid amount, the Master Servicer may waive or satisfy a portion of the indebtedness on behalf of the Trust in order to reduce the amount owing to an amount that would allow VA to specify a bid amount under applicable regulations.

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 method for calculating the maximum loan amount for FHA insured single-family mortgage loans is established by statute. As of January 2003, the basic maximum loan amount for most FHA insured single-family mortgage loans is \$154,896 for a one-unit dwelling, \$198,288 for a two-unit dwelling, \$239,664 for a three-unit dwelling, and \$297,840 for a four-unit dwelling. In high-cost areas, as designated by HUD/FHA, the maximum loan amount may be increased up to \$280,749 for a one-unit dwelling, \$359,397 for a two-unit dwelling, \$434,391 for a three-unit dwelling, and \$539,835 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. 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.

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.

Underwriting Guidelines. FHA insured and VA guaranteed 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.

The Seller

The Seller, Countrywide Home Loans, Inc., is engaged primarily in the mortgage banking business, and as such, originates, purchases, sells and services (either directly or through subsidiaries) mortgage loans. The Seller originates mortgage loans through a retail branch system and through mortgage loan brokers and correspondents nationwide. The Seller's mortgage loans are principally first-lien, fixed or adjustable rate mortgage loans secured by single-family residences. Unless the context indicates otherwise, references in the remainder of this prospectus to the Seller or Countrywide should be read to include the Seller and its consolidated subsidiaries, including Countrywide Home Loans Servicing LP.

The principal executive offices of the Seller are located at 4500 Park Granada, Calabasas, California 91302.

The Seller services substantially all of the mortgage loans it originates or acquires. In addition, the Seller has purchased in bulk the rights to service mortgage loans originated by other lenders. The Seller has in the past and may in the future sell to other mortgage bankers a portion of its portfolio of loan servicing rights. As of December 31, 2002, the Seller provided servicing for approximately \$447.72 billion aggregate principal amount of mortgage loans, substantially all of which are being serviced for unaffiliated persons.

Servicing of Mortgage Loans

Countrywide Home Loans Servicing LP (“Countrywide Servicing”) will act as Master Servicer. The principal executive offices of Countrywide Servicing are located at 7105 Corporate Drive, Plano, TX 75024. Countrywide Servicing is a Texas limited partnership directly owned by Countrywide GP, Inc. and Countrywide LP, Inc., each a Nevada corporation and a direct wholly owned subsidiary of the Seller. The Seller is a direct wholly owned subsidiary of Countrywide Financial Corporation, a Delaware corporation (“Countrywide Financial”). Countrywide GP, Inc. owns a 0.1% interest in Countrywide Servicing and is the general partner. Countrywide LP, Inc. owns a 99.9% interest in Countrywide Servicing and is a limited partner.

The Seller established Countrywide Servicing in February 2000 to service Countrywide originated mortgage loans that would otherwise have been serviced by Countrywide Home Loans. In January and February 2001, the Seller transferred to Countrywide Servicing all of its rights and obligations relating to mortgage loans serviced on behalf of Fannie Mae and Freddie Mac, respectively. In October 2001, the Seller transferred to Countrywide Servicing all of its rights and obligations to the bulk of its non-agency loan servicing portfolio. While the Seller expects to continue to service a portion of its loan portfolio directly, it is expected that the servicing rights for most of the Seller’s newly originated mortgage loans will be transferred to Countrywide Servicing upon sale or securitization of the related mortgage loans. Countrywide Servicing is engaged in the business of servicing mortgage loans and will not originate or acquire loans, an activity that will continue to be performed by the Seller. In addition to acquiring mortgage servicing rights from the Seller, it is expected that Countrywide Servicing will service mortgage loans for non-Countrywide affiliated parties as well as subservice mortgage loans on behalf of other master servicers.

In connection with the establishment of Countrywide Servicing, certain employees of the Seller became employees of Countrywide Servicing. Countrywide Servicing has engaged the Seller as a sub-servicer to perform certain loan servicing activities on its behalf.

Countrywide Servicing is an approved mortgage loan servicer for Fannie Mae, Freddie Mac, Ginnie Mae, HUD and the VA and is licensed to service mortgage loans in each state where a license is required. Its loan servicing activities are guaranteed by Countrywide Financial and the Seller (when required by the owner of the mortgage loans). As of December 31, 2002, Countrywide Servicing had a net worth of approximately \$5.4 billion.

In its capacity as Master Servicer, Countrywide Servicing will be responsible for servicing the Mortgage Loans in accordance with the terms set forth in the Sale and Servicing Agreement. Countrywide Servicing will be the primary servicer for approximately 100% of the Mortgage Loans.

The following table summarizes the delinquency and foreclosure experience of FHA insured and VA guaranteed mortgage loans that Countrywide Servicing either serviced or master serviced. The delinquency and foreclosure percentages may be affected by the size and relative lack of seasoning of the servicing portfolio, which increased from approximately \$44.1 billion at February 28, 1997, to approximately \$52.1 billion at February 28, 1998, to approximately \$54.2 billion at February 29, 1999, to approximately \$59.0 billion at February 28, 2000, to approximately \$63.7 billion at February 28, 2001, and decreased to approximately \$62.1 billion at December 31, 2001 and to approximately \$60.9 billion at December 31, 2002. Accordingly, you should not use this information to assess the likelihood, amount or severity of delinquency or losses on the Mortgage Loans. We cannot promise you that the foreclosure and delinquency experience on the Mortgage Loans will be similar to the figures in the table. Furthermore, the foreclosure and delinquency experience reflected in the table may not be representative of the foreclosure and delinquency experience of the Mortgage Loans, each

of which was repurchased out of Ginnie Mae pools for reasons of uncured delinquency in accordance with Ginnie Mae guidelines.

	At February 28 (29),					At Dec. 31,	At Dec. 31,
	1997	1998	1999	2000	2001	2001	2002
Number of Loans.....	505,827	590,639	604,978	648,776	686,742	673,732	624,894
Volume of Loans (in 1000s).....	\$44,118,049	\$52,110,499	\$54,158,501	\$59,032,018	\$63,667,712	\$62,085,321	\$60,949,072
Delinquent Mortgage Loans and Pending Foreclosures at Period End(1):							
30-59 days	3.67%	4.48%	4.98%	4.95%	5.73%	6.98%	7.33%
60-89 days	0.91	1.03	1.18	1.45	1.88	2.78	2.97
90 days or more (excluding pending foreclosures)	1.31	1.63	1.98	1.97	2.47	4.03	4.18
Total of delinquencies	5.89%	7.14%	8.14%	8.37%	10.08%	13.79%	14.48%
Foreclosures pending.....	1.18%	1.13%	1.15%	1.15%	1.23%	1.50%	1.61%
Total delinquencies and foreclosures pending	7.07%	8.27%	9.29%	9.52%	11.31%	15.29%	16.09%

(1) As a percentage of the total number of loans serviced.

DESCRIPTION OF THE SENIOR AND MEZZANINE CERTIFICATES

General

The REMIC Certificates will consist of:

- sixteen classes of guaranteed senior certificates designated as the 1A-1, 1A-2, 1A-3, 1A-4, 1A-IO, 1A-PO, 2A, 2A-IO, 3A, 3A-IO, 4A, 4A-IO, 5A, A-R, RM and RL Classes (collectively, the “Senior Classes”),
- six classes of mezzanine certificates designated as the IM, IB-1, IB-2, IIM, IIB-1 and IIB-2 Classes (the “Mezzanine Classes”), and
- six classes of subordinate certificates designated as the IB-3, IB-4, IB-5, IIB-3, IIB-4 and IIB-5 Classes (the “Subordinate Classes”).

We refer to the Mezzanine and Subordinate Classes or Certificates together as the “Non-Senior Classes” or “Non-Senior Certificates,” respectively. Fannie Mae does not guarantee the Mezzanine Classes or the Subordinate Classes. The Senior Classes, the Mezzanine Classes and the Subordinate Classes (collectively, the “Classes” or the “Certificates”) in the aggregate represent the entire beneficial ownership interest in the Trust.

Moreover, if references to the Senior, Mezzanine, Subordinate and Non-Senior Classes or Certificates are preceded by the descriptive terms listed below, they will refer to the Classes or Certificates set forth opposite each descriptive term:

Fixed Rate Group

Category 1	1A-1, 1A-2, 1A-3, 1A-4, 1A-IO or 1A-PO Class
Category 2	A-R, 2A or 2A-IO Class
Category 3	3A or 3A-IO Class
Category 4	4A or 4A-IO Class
Mezzanine	IM, IB-1 and IB-2
Subordinate	IB-3, IB-4 and IB-5

ARM Group

Senior	5A
Mezzanine	IIM, IIB-1 and IIB-2
Subordinate	IIB-3, IIB-4 and IIB-5

The initial aggregate principal balances of the Category 1, Category 2, Category 3 and Category 4 Classes will be approximately \$315,352,001, \$222,694,100, \$196,547,000 and \$269,520,000, respectively, and will initially evidence undivided ownership interests of approximately 97.30%, 97.30%, 97.30% and 97.30%, respectively, in the related Loan Categories. The initial aggregate principal balance of the ARM Group Senior Class will be approximately \$64,816,000 and will initially evidence an undivided ownership interest of approximately 97.65% in the ARM Loans.

The initial aggregate principal balances of the Fixed Rate Group Mezzanine Classes and ARM Group Mezzanine Classes will be approximately \$17,030,000 and \$996,000, respectively, and will initially evidence undivided ownership interests of approximately 1.65% and 1.50% in the Fixed Rate Loans and ARM Loans, respectively. The initial aggregate principal balances of the Fixed Rate Group Subordinate Classes and ARM Group Subordinate Classes will be approximately \$10,836,520 and \$564,569, respectively, and will initially evidence undivided ownership interests of approximately 1.05% and 0.85% in the Fixed Rate Loans and the ARM Loans, respectively. Only the Senior and Mezzanine Classes are being offered by this prospectus and, in the case of the Senior Classes, by the Senior Supplement. On the Settlement Date, we will issue the Subordinate Classes and, at the direction of the Seller, deliver them to the Dealer, which may sell them at any time thereafter in limited private offerings.

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 DTC 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 DTC Certificates. We will also perform certain administrative functions in connection with the DTC 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.

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.

Holding Through International Clearing Systems. Beneficial interests in the DTC Certificates may be held through organizations participating in the international clearing systems described below. Electronic securities and payment transfer, processing, depository and custodial arrangements among these systems and DTC, either directly or indirectly through custodians and depositories, may enable beneficial interests in the DTC Certificates to be issued, held and transferred among these systems as described below. Special procedures among these systems allow clearance and settlement of beneficial interests in certain securities traded across borders in the secondary market. Cross-market transfers of beneficial interests in the DTC Certificates may be cleared and settled using these procedures. However, we can give no assurance that cross-market transfers of beneficial interests in the DTC Certificates will be possible.

Each relevant system has its own separate operating procedures and arrangements with participants and accountholders that govern the relationship between them and such system and to which we are not and will not be a party. The clearing systems may impose fees in respect of the maintenance and operation of the accounts in which beneficial interests in the DTC Certificates are maintained.

If beneficial interests in the DTC Certificates are cleared and settled through more than one clearing system, time zone differences may result in the securities account of an investor in one system being credited during the settlement processing day immediately following the settlement date of the other system and the cash account being credited for value on the settlement date but only being available as of the day following that settlement date.

Although clearing systems have procedures to facilitate transfers of beneficial interests in securities among their respective participants and accountholders, we understand that they are under no obligation to perform or continue to perform those procedures, which may be modified or discontinued at any time. We will have no responsibility for the performance by any system, or their respective direct or indirect participants or accountholders, of their respective obligations under the results and procedures governing their operations.

Euroclear and Clearstream. The Euroclear System (“Euroclear”) was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment. Euroclear is operated by Euroclear Bank S.A./NV (the “Euroclear Operator”), and all Euroclear securities clearance and cash accounts are with the Euroclear Operator. They are governed by the terms and conditions governing the use of Euroclear and the related operating procedures of Euroclear, and applicable Belgian law. Clearstream Banking, société anonyme (“Clearstream”), was incorporated in 1970 under the laws of Luxembourg as a limited liability company. A participant’s overall contractual relations with Clearstream are governed by the general terms and conditions, related operating rules and procedures and applicable Luxembourg law.

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Certificated Classes

We will issue the A-R, RM and RL Classes in fully registered, certificated form and not in book-entry form. The “Holder” or “Certificateholder” of the A-R, RM or RL Class is its registered owner. The A-R, RM or RL Class can be transferred at the corporate trust office of our transfer agent. We may impose a service charge for any registration of transfer of an A-R, RM or RL Class and may require payment to cover any tax or other governmental charge. See also “General—*Authorized Denominations*” and “—Special Characteristics of the A-R, RM and RL Classes” below.

Interest Payments on the Senior and Mezzanine Certificates

This section describes the payments of interest that we will make on the Certificates. We define certain capitalized terms used in this section under the heading “—*Certain Definitions Applicable to Interest Calculations*” below. See also “Index to Defined Terms” in this prospectus.

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate Group	
Fixed Rate	1A-1, 1A-2, 1A-3, 1A-4, A-R, 2A, 3A, 4A, IM, IB-1 and IB-2
Weighted Average Coupon/Interest Only	1A-IO, 2A-IO, 3A-IO and 4A-IO
Principal Only	1A-PO
ARM Group	
Weighted Average Coupon	5A, IIM, IIB-1 and IIB-2
No Payment Residual	RM and RL

* See “—Class Definitions and Abbreviations” below.

Interest Calculation. Except as described below, we will pay interest on the Senior and Mezzanine Certificates at the applicable annual rates shown on the cover or described in this prospectus. We calculate interest based on a 360-day year consisting of twelve 30-day months. We pay

interest monthly, on each Distribution Date, beginning in the month after the Settlement Date specified in the Reference Sheet.

Fixed Rate Classes. During each Interest Accrual Period, interest on the 1A-1, 1A-2, 1A-3, 1A-4, A-R, 2A, 3A, 4A, IM, IB-1 and IB-2 Classes will be calculated at the applicable annual rates specified on the cover of this prospectus.

During the initial Interest Accrual Period, we expect to pay interest on the 1A-IO Class at an annual rate of approximately 2.83489%. During each subsequent Interest Accrual Period, interest will be calculated on the 1A-IO Class at an annual rate equal to the *excess* of the Net WAC of the Category 1 Loans *over* the weighted average of the interest rates of the 1A-1, 1A-2, 1A-3, 1A-4 and 1A-PO Classes and the Fixed Rate Group Mezzanine and Subordinate Classes (weighted on the basis of the principal balances of the 1A-1, 1A-2, 1A-3, 1A-4 and 1A-PO Classes and the related Category Subordination Balance, in each case before giving effect to any reductions thereof on that Distribution Date).

During the initial Interest Accrual Period, we expect to pay interest on the 2A-IO Class at an annual rate of approximately 0.65500%. During each subsequent Interest Accrual Period, interest will be calculated at an annual rate equal to the *excess* of the Net WAC of the Category 2 Loans *over* the weighted average of the interest rates of the A-R and 2A Classes and the Fixed Rate Group Mezzanine and Subordinate Classes (weighted on the basis of the principal balance of the A-R and 2A Classes and the related Category Subordination Balance, in each case before giving effect to any reductions thereof on that Distribution Date).

During the initial Interest Accrual Period, we expect to pay interest on the 3A-IO Class at an annual rate of approximately 0.42650%. During each subsequent Interest Accrual Period, interest will be calculated on the 3A-IO Class at an annual rate equal to the *excess* of the Net WAC of the Category 3 Loans *over* the weighted average of the interest rates of the 3A Class and the Fixed Rate Group Mezzanine and Subordinate Classes (weighted on the basis of the principal balance of the 3A Class and the related Category Subordination Balance, in each case before giving effect to any reductions thereof on that Distribution Date).

During the initial Interest Accrual Period, we expect to pay interest on the 4A-IO Class at an annual rate of approximately 0.66600%. During each subsequent Interest Accrual Period, interest will be calculated on the 4A-IO Class at an annual rate equal to the *excess* of the Net WAC of the Category 4 Loans *over* the weighted average of the interest rates of the 4A Class and the Fixed Rate Group Mezzanine and Subordinate Classes (weighted on the basis of the principal balance of the 4A Class and the related Category Subordination Balance, in each case before giving effect to any reductions thereof on that Distribution Date).

Our determination of the interest rates for the 1A-IO, 2A-IO, 3A-IO and 4A-IO 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.

As a result of the above formulas, if Category 1, Category 2, Category 3 or Category 4 Loans with Net Mortgage Rates above the Net WAC for the related Loan Category are prepaid at a disproportionately high rate relative to related Mortgage Loans with Net Mortgage Rates below such Net WAC, the interest rates on the 1A-IO Class, 2A-IO Class, 3A-IO Class or 4A-IO Class, as applicable, will be reduced.

Uncovered Prepayment Interest Shortfalls and reductions in the amount of interest payable on the Category 1, Category 2, Category 3 or Category 4 Loans due to reductions in their Mortgage Interest Rates as a result of permitted loan modifications will reduce the amount of interest payable on the Category 1, Category 2, Category 3 or Category 4 Senior Classes, respectively, and on the Fixed Rate Group Mezzanine and Subordinate Classes. We will allocate any such reductions in interest with respect to the Category 1, Category 2, Category 3 or Category 4 Loans, pro rata, among the Category 1, Category 2, Category 3 or Category 4 Senior Classes, as applicable, and to the Fixed Rate

Group Mezzanine and Subordinate Classes, based on the amount of interest that would have been payable on the related Classes without giving effect to such reductions. In certain cases, the reductions in yield to the affected investors could be substantial.

As stated above under “The Mortgage Loan Groups—General,” calculation of Mortgage Interest Rates will be made without giving effect to any reduction due to application of the Soldiers’ and Sailors’ Civil Relief Act of 1940.

The ARM Group Classes. During the initial Interest Accrual Period, we expect to pay interest on the 5A Class and the ARM Group Mezzanine Classes at an approximate annual rate of 5.89882%. During each subsequent Interest Accrual Period, we will pay interest on the 5A Class and the ARM Group Mezzanine Classes at an annual rate equal to the Net WAC of the ARM Loans.

Uncovered Prepayment Interest Shortfalls and reductions in the amount of interest payable on the ARM Loans due to reductions in their Mortgage Interest Rates as a result of permitted loan modifications will reduce the amount of interest payable on the ARM Group Classes. We will allocate any such reductions in interest with respect to the ARM Loans, pro rata, among all of the ARM Group Senior, Mezzanine and Subordinate Classes, based on the amount of interest that would have been payable on those Classes without giving effect to such reductions. In certain cases, the reductions in yield to the affected investors could be substantial.

As stated above under “The Mortgage Loan Groups—General,” calculation of Mortgage Interest Rates will be made without giving effect to any reduction due to application of the Soldiers’ and Sailors’ Civil Relief Act of 1940.

Interest Accrual Period. Interest to be paid on each Distribution Date will accrue on the Certificates during the calendar month preceding the month in which that Distribution Date occurs (the “Interest Accrual Period”). See “Risk Factors—*Delay classes have lower yields and market values*” in this prospectus.

Interest Payment Priorities—Fixed Rate Group Classes. On each Distribution Date, we will pay interest on the Fixed Rate Group Certificates as follows:

- A. from interest collections related to the Category 1 Loans, accrued and unpaid interest at the applicable annual rates to the Category 1 Senior Classes,
- B. from interest collections related to the Category 2 Loans, accrued and unpaid interest at the applicable annual rates to the Category 2 Senior Classes,
- C. from interest collections related to the Category 3 Loans, accrued and unpaid interest at the applicable annual rates to the Category 3 Senior Classes,
- D. from interest collections related to the Category 4 Loans, accrued and unpaid interest at the applicable annual rate to the Category 4 Senior Classes,
- E. from remaining interest collections in respect of all Fixed Rate Loans after application of A. through D. above, to the Senior Certificates of each Loan Category in amounts equal to the applicable Interest Payment Shortfalls, if any, for that date (with amounts distributed pursuant to this clause E. being allocated to the related Senior Certificates pro rata on the basis of their respective Interest Payment Shortfalls), and
- F. from remaining interest collections relating to all Fixed Rate Loans after application of A. through E. above, the Specified Non-Senior Interest Distribution Amount applicable to each of the following Classes in the following priority:

first, to the IM Class;

second, to the IB-1 Class;

third, to the IB-2 Class; and

fourth, to the IB-3, IB-4 and IB-5 Classes, in that order.

Interest Payment Priorities—ARM Group. On each Distribution Date, from interest collections on the ARM Loans, we will pay interest on the ARM Group Certificates as follows:

- A. from interest collections on the ARM Loans, accrued and unpaid interest at the applicable annual rate to the 5A Class,
- B. from remaining interest collections on the ARM Loans after application of A. above, the Specified Non-Senior Interest Distribution Amount applicable to each of the following ARM Group Non-Senior Classes in the following priority:

first, to the IIM Class;

second, to the IIB-1 Class;

third, to the IIB-2 Class; and

fourth, to the IIB-3, IIB-4 and IIB-5 Classes, in that order.

Certain Definitions Applicable to Interest Calculations. The “Interest Payment Shortfall” for any Fixed Rate Group Senior Certificates on any Distribution Date is the *excess*, if any of

- interest accrued on such Certificates during the related Interest Accrual Period *less* Uncovered Prepayment Interest Shortfalls, if any, allocated thereto

over

- the amount of interest available for distribution to such Certificates pursuant to clauses A. through D. above under the heading “*Interest Payment Priorities—Fixed Rate Group Classes.*”

The “Net Mortgage Rate” for any Mortgage Loan as of any date of determination is the Mortgage Interest Rate then in effect for that loan less the applicable Servicing Fee Rate and guaranty fee rate.

For any Interest Accrual Period, the “Net WAC” of the Mortgage Loans of a Category means the weighted average of the Net Mortgage Rates of the related Mortgage Loans during that period, weighted on the basis of their Stated Principal Balances at the beginning of that period.

The “Stated Principal Balance” of any Mortgage Loan as of any date of determination is the unpaid principal balance of that loan (or, if delinquent, its scheduled unpaid principal balance) as of the Issue Date, reduced by the sum of (i) all amounts representing principal received or advanced by or on behalf of the Master Servicer and previously paid to Certificateholders with respect to that loan and (ii) the amount of all Realized Losses incurred with respect to that loan.

Notional Classes. The 1A-IO, 2A-IO, 3A-IO and 4A-IO Classes are Notional Classes. A Notional Class will have no principal balance. During each Interest Accrual Period, each Notional Class will bear interest on its notional balance at the annual rate described in this prospectus. For any Distribution Date, the notional principal balances of the Notional Classes will be calculated as follows:

1A-IO	100% of the aggregate Stated Principal Balance of the Category 1 Loans
2A-IO	100% of the aggregate Stated Principal Balance of the Category 2 Loans
3A-IO	100% of the aggregate Stated Principal Balance of the Category 3 Loans
4A-IO	100% of the aggregate Stated Principal Balance of the Category 4 Loans

We use the notional principal balance of a Notional Class to determine interest payments on that Class. Although a Notional Class will not have a principal balance and will not be entitled to any

principal payments, we will publish a class factor for that Class. References in this prospectus and the Senior Supplement to the principal balances of the Certificates generally shall refer also to the notional principal balances of the Notional Classes.

Principal Payments on the Senior and Mezzanine Certificates

This section describes the payments of principal that we will make on the Classes of Senior and Mezzanine Certificates.

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

<u>Principal Type*</u>	<u>Classes</u>
Fixed Rate Group	
Senior/Sequential Pay	1A-1, 1A-2, 1A-3, 1A-4, A-R, and 2A
Senior/Pass-Through	1A-PO, 3A and 4A
Mezzanine	IM, IB-1 and IB-2
Notional	1A-IO, 2A-IO, 3A-IO and 4A-IO
ARM Group	
Senior/Pass-Through	5A
Mezzanine	IIM, IIB-1 and IIB-2
No Payment Residual	RM and RL

* See “—Class Definitions and Abbreviations” below.

Principal Balance Calculation. 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 (a) all amounts previously paid as principal on that Certificate and (b) in the case of any Non-Senior Certificate, all amounts relating to Realized Losses on the Mortgage Loans that were allocated to principal of that Certificate, as described in this prospectus. The outstanding principal balance of any Certificate at any time is the maximum amount that the Holder will be entitled to receive thereafter as principal from the cash flow on the related Mortgage Loans.

Principal Payment Priorities—Fixed Rate Group. We will make principal payments with respect to the Fixed Rate Group Classes as specified below.

Category 1 Senior Principal Distribution Amount

On each Distribution Date, we will pay the Category 1 Senior Principal Distribution Amount, sequentially, as principal of the 1A-1, 1A-2, 1A-3 and 1A-4 Classes, in that order, until their principal balances are reduced to zero. } Senior / Sequential Pay Classes

PO Principal Distribution Amount

On each Distribution Date, we will pay the PO Principal Distribution Amount as principal of the 1A-PO Class, until its principal balance is reduced to zero. } Senior / Pass-Through Class

Category 2 Senior Principal Distribution Amount

On each Distribution Date, we will pay the Category 2 Senior Principal Distribution Amount, sequentially, as principal of the A-R and 2A Classes, in that order, until their principal balances are reduced to zero. } Senior / Sequential Pay Classes

Category 3 Senior Principal Distribution Amount

On each Distribution Date, we will pay the Category 3 Senior Principal Distribution Amount as principal of the 3A Class, until its principal balance is reduced to zero. } Senior / Pass-Through Class

Category 4 Senior Principal Distribution Amount

On each Distribution Date, we will pay the Category 4 Senior Principal Distribution Amount as principal of the 4A Class, until its principal balance is reduced to zero. } Senior / Pass-Through Class

Distributions from Remaining Principal Collections on Fixed Rate Loans

On each Distribution Date, we will distribute the Principal Collections on all Fixed Rate Loans remaining after distributions of principal specified above, in the following priority:

(i) to the Trustee, an amount equal to certain taxes imposed on the Trust or its assets and certain other tax-related expenses of the Trust;

(ii) to Fannie Mae, an amount equal to the unpaid reimbursement amounts, if any, owing to Fannie Mae for any guaranty payments previously made in respect of the Fixed Rate Group Senior Certificates;

(iii) concurrently, to the Classes of Fixed Rate Group Mezzanine and Subordinate Certificates, pro rata (based on their outstanding principal balances), the Fixed Rate Group Non-Senior Principal Distribution Amount, with the applicable Specified Non-Senior Principal Distribution Amounts for those Classes being applied in the following order of priority:

- | | | |
|--|---|------------------------|
| first, to the IM Class, | } | Mezzanine
Classes |
| second, to the IB-1 Class, | | |
| third, to the IB-2 Class, and | | |
| fourth, to the IB-3, IB-4 and IB-5 Classes, in that order; and | } | Subordinate
Classes |
| (iv) any remaining amount to the A-R Class. | } | Residual
Class |

Principal Payment Priorities—ARM Group. On each Distribution Date, we will make principal payments with respect to the ARM Group Classes as specified below.

ARM Group Senior Principal Distribution Amount

On each Distribution Date, we will pay the ARM Group Senior Principal Distribution Amount as principal of the 5A Class, until its principal balance is reduced to zero. } Senior / Pass-Through Class

Distributions from Remaining Principal Collections on ARM Loans

On each Distribution Date, we will distribute the Principal Collections on all ARM Loans remaining after distributions of principal specified above, in the following priority:

(i) to the Trustee, an amount equal to certain taxes imposed on the Trust or its assets and certain other tax-related expenses of the Trust;

(ii) to Fannie Mae, an amount equal to the unpaid reimbursement amounts, if any, owing to Fannie Mae for any guaranty payments previously made in respect of the ARM Group Senior Certificates;

(iii) concurrently, to the Classes of ARM Group Mezzanine and Subordinate Certificates, pro rata (based on their outstanding principal balances), the ARM Group Non-Senior Principal

Distribution Amount, with the applicable Specified Non-Senior Principal Distribution Amounts for those Classes being applied in the following order of priority:

- | | | |
|---|---|------------------------|
| <p><i>first</i>, to the IIM Class,</p> <p><i>second</i>, to the IIB-1 Class,</p> <p><i>third</i>, to the IIB-2 Class, and</p> | } | Mezzanine
Classes |
| <p><i>fourth</i>, to the IIB-3, IIB-4 and IIB-5 Classes, in that order; and</p> | } | Subordinate
Classes |
| <p>(iv) any remaining amount to the A-R Class.</p> | } | Residual
Class |

We will include principal prepayments (including net liquidation proceeds) from the Mortgage Loans in the foregoing distributions on each Distribution Date provided that the Master Servicer gives us information about them in time for the published class factors to reflect these payments. See “Reference Sheet—*Class Factors*” in this prospectus. If we do not receive the information on time, we will include the prepayments in distributions on the next Distribution Date. For purposes of payments, we consider a Mortgage Loan to be a “Liquidated Loan” if the Master Servicer concludes that the full amount finally recoverable on account of that Mortgage Loan has been received, whether or not this amount is equal to the principal balance of the Mortgage Loan.

Certain Definitions Relating to Payments on the Certificates

ARM Group Non-Senior Principal Distribution Amount—With respect to the ARM Group for any Distribution Date, the aggregate of the following amounts for all ARM Loans:

- (i) the applicable Subordinate Percentage of all monthly payments of scheduled principal due on each ARM Loan during the related Due Period, **plus**
- (ii) the applicable Subordinate Prepayment Percentage of the principal portion of the purchase price of each ARM Loan that the Seller repurchases with respect to that Distribution Date, **plus**
- (iii) the applicable Subordinate Prepayment Percentage of the Substitution Adjustment Amount in connection with any ARM Loan received with respect to that Distribution Date, **plus**
- (iv) the applicable Subordinate Prepayment Percentage of any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of any ARM Loan that is not yet a Liquidated Loan, **plus**
- (v) for each ARM Loan that became a Liquidated Loan during the related Prepayment Period, the applicable Subordinate Prepayment Percentage of the Stated Principal Balance of that ARM Loan, **plus**
- (vi) the applicable Subordinate Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of the ARM Loans.

ARM Group Senior Principal Distribution Amount—With respect to any Distribution Date and the 5A Class, the aggregate of the following amount:

- (i) the applicable Senior Percentage of all monthly payments of scheduled principal due on each ARM Loan during the related Due Period, **plus**
- (ii) the applicable Senior Prepayment Percentage of the principal portion of the purchase price of each ARM Loan that the Seller repurchases with respect to that Distribution Date, **plus**

(iii) the applicable Senior Prepayment Percentage of the Substitution Adjustment Amount received in connection with any ARM Loan with respect to that Distribution Date, **plus**

(iv) the applicable Senior Prepayment Percentage of any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of any ARM Loan that is not yet a Liquidated Loan, **plus**

(v) for each ARM Loan that became a Liquidated Loan during the related Prepayment Period, the applicable Senior Prepayment Percentage of the Stated Principal Balance of that ARM Loan to the extent recovered, **plus**

(vi) the applicable Senior Prepayment Percentage of all partial and full principal prepayments that were received during the related Prepayment Period from the borrowers in respect of the ARM Loans, **plus**

(vii) the amount of Realized Losses allocated to the 5A Class for that Distribution Date.

Bankruptcy Code—The federal bankruptcy code, Title 11 of the United States Code, Section 101 *et seq.*, and the related rules and regulations promulgated thereunder.

Category 1 Non-Senior Principal Distribution Amount—With respect to any Distribution Date, the aggregate of the Non-PO Percentage of the following amounts:

(i) the applicable Subordinate Percentage of all monthly payments of scheduled principal due on each Category 1 Loan during the related Due Period, **plus**

(ii) the applicable Subordinate Prepayment Percentage of the principal portion of the purchase price of each Category 1 Loan that the Seller repurchases with respect to that Distribution Date, **plus**

(iii) the applicable Subordinate Prepayment Percentage of the Substitution Adjustment Amount in connection with each Category 1 Loan received with respect to that Distribution Date, **plus**

(iv) the applicable Subordinate Prepayment Percentage of any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of Category 1 Loans that are not yet Liquidated Loans, **plus**

(v) for each Category 1 Loan that became a Liquidated Loan during the related Prepayment Period, the applicable Subordinate Prepayment Percentage of the Stated Principal Balance of that Category 1 Loan to the extent recovered, **plus**

(vi) the applicable Subordinate Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of the Category 1 Loans.

Category 1 Senior Principal Distribution Amount—With respect to the Category 1 Senior Classes for any Distribution Date, the aggregate of the Non-PO Percentage of the following amounts:

(i) the applicable Senior Percentage of all monthly payments of scheduled principal due on each Category 1 Loan during the related Due Period, **plus**

(ii) the applicable Senior Prepayment Percentage of the principal portion of the purchase price of each Category 1 Loan that the Seller repurchases with respect to that Distribution Date, **plus**

(iii) the applicable Senior Prepayment Percentage of the Substitution Adjustment Amount received in connection with any Category 1 Loan with respect to that Distribution Date, **plus**

(iv) the applicable Senior Prepayment Percentage of any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of Category 1 Loans that are not yet Liquidated Loans, **plus**

(v) for each Category 1 Loan that became a Liquidated Loan during the related Prepayment Period, the applicable Senior Prepayment Percentage of the Stated Principal Balance of that Category 1 Loan to the extent recovered, **plus**

(vi) the applicable Senior Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of the Category 1 Loans, **plus**

(vii) the amount of Realized Losses allocated to the Category 1 Senior Classes for that Distribution Date.

In addition to the foregoing, on any Distribution Date that is a Category Cross Payment Trigger Date, the Category 1 Senior Principal Distribution Amount will be subject to the following adjustments:

- if the Category 1 Senior Certificates are subject to a Collateral Deficiency, an amount equal to the applicable Category Cross Payment Amount will be added to the Category 1 Senior Principal Distribution Amount otherwise payable to the applicable Class of Category 1 Senior Certificates, in accordance with the same payment priority otherwise in effect on that date, and
- if the Category 1 Senior Certificates are not subject to a Collateral Deficiency and the Senior Certificates related to one or more of the other Loan Categories are subject to a Collateral Deficiency, an amount equal to the applicable Category Cross Contribution Amount will be deducted from the Category 1 Senior Principal Distribution Amount otherwise payable to the applicable Category 1 Senior Certificates on that date (such deduction to be made pro rata from the amounts otherwise payable to such Classes).

Category 2 Non-Senior Principal Distribution Amount

Category 3 Non-Senior Principal Distribution Amount

Category 4 Non-Senior Principal Distribution Amount—With respect to any Distribution Date and the applicable Loan Category, the aggregate of the following amounts for all Mortgage Loans in that Loan Category:

(i) the applicable Subordinate Percentage of all monthly payments of scheduled principal due on each such Mortgage Loan during the related Due Period, **plus**

(ii) the applicable Subordinate Prepayment Percentage of the principal portion of the purchase price of each such Mortgage Loan that the Seller repurchases with respect to that Distribution Date, **plus**

(iii) the applicable Subordinate Prepayment Percentage of the Substitution Adjustment Amount in connection with any such Mortgage Loan received with respect to that Distribution Date, **plus**

(iv) the applicable Subordinate Prepayment Percentage of any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of such Mortgage Loans that are not yet Liquidated Loans, **plus**

(v) for each such Mortgage Loan that became a Liquidated Loan during the related Prepayment Period, the applicable Subordinate Prepayment Percentage of the Stated Principal Balance of that Mortgage Loan to the extent recovered, **plus**

(vi) the applicable Subordinate Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of such Mortgage Loans.

Category 2 Senior Principal Distribution Amount

Category 3 Senior Principal Distribution Amount

Category 4 Senior Principal Distribution Amount—With respect to any Distribution Date and the Senior Class or Classes for the applicable Loan Category, the aggregate of the following amounts:

(i) the applicable Senior Percentage of all monthly payments of scheduled principal due on each such Mortgage Loan during the related Due Period, **plus**

(ii) the applicable Senior Prepayment Percentage of the principal portion of the purchase price of each such Mortgage Loan that the Seller repurchases with respect to that Distribution Date, **plus**

(iii) the applicable Senior Prepayment Percentage of the Substitution Adjustment Amount received in connection with any such Mortgage Loan with respect to that Distribution Date, **plus**

(iv) the applicable Senior Prepayment Percentage of any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of any such Mortgage Loan that is not yet a Liquidated Loan, **plus**

(v) for each such Mortgage Loan that became a Liquidated Loan during the related Prepayment Period, the applicable Senior Prepayment Percentage of the Stated Principal Balance of that Mortgage Loan to the extent recovered, **plus**

(vi) the applicable Senior Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of such Mortgage Loans, **plus**

(vii) the amount of Realized Losses allocated to the Senior Class or Classes related to the applicable Loan Category for that Distribution Date.

In addition to the foregoing, on any Distribution Date that is a Category Cross Payment Trigger Date, the Category 2 Senior Principal Distribution Amount, Category 3 Senior Principal Distribution Amount and/or Category 4 Senior Principal Distribution Amount, as applicable, will be subject to the following adjustments:

- for the Senior Certificates related to each Loan Category that is subject to a Collateral Deficiency, an amount equal to the applicable Category Cross Payment Amount will be added to the Senior Principal Distribution Amount otherwise payable in respect of such Senior Certificates on that date, and
- for the Senior Certificates related to each Loan Category that is not subject to a Collateral Deficiency, an amount equal to the applicable Category Cross Contribution Amount will be deducted from the Senior Principal Distribution Amount otherwise payable in respect of such Senior Certificates on that date.

Category Subordination Balance—With respect to any Fixed Rate Group Loan Category for any Distribution Date, the *excess*, if any, of the aggregate Stated Principal Balance of the Mortgage Loans included in that Loan Category, as of the related Due Date *over* the aggregate outstanding principal balance of the Senior Certificates related to the applicable Loan Category (before giving effect to any reductions thereof on that Distribution Date); *provided, however*, that such amount will in no event exceed the aggregate outstanding principal balance of the Fixed Rate Group Mezzanine and Subordinate Certificates.

Category Cross Contribution Amount—On any Distribution Date that is not a Category Cross Payment Trigger Date, zero. On any Distribution Date that is a Category Cross Payment Trigger Date and with respect to the Senior Certificates related to each Fixed Rate Loan Category that is *not* subject to a Collateral Deficiency on that date, an amount equal to the **least** of

- the Combined Collateral Deficiency for that date
- and
- the related Regular Senior Principal Distribution Amount for that date
- and
- the applicable Category Cross Pro Rata Cap Amount;

provided, however, that such amount shall be reduced as necessary to avoid the creation of a Collateral Deficiency in any Category not otherwise subject to a Collateral Deficiency.

Category Cross Payment Amount—On any Distribution Date and with respect to the Senior Certificates related to a Fixed Rate Loan Category that is subject to a Collateral Deficiency, an amount equal to the **lesser** of

- the related Collateral Deficiency for that date, and
- the aggregate of the Category Cross Contribution Amounts multiplied by a fraction, the numerator of which is the related Collateral Deficiency and the denominator of which is the aggregate of the Collateral Deficiencies for all Fixed Rate Loan Categories.

Category Cross Payment Trigger Date—Any Distribution Date on which a Collateral Deficiency exists with respect to any Category (but not all Categories) of Senior Certificates.

Category Cross Pro Rata Cap Amount—On any Distribution Date that is a Category Cross Payment Trigger Date and with respect to the Senior Certificates related to each Fixed Rate Loan Category that is *not* subject to a Collateral Deficiency or at parity, an amount equal to the Combined Collateral Deficiency multiplied by a fraction, the numerator of which is the Regular Senior Principal Distribution Amount for such Fixed Rate Loan Category and the denominator of which is the aggregate of the Regular Senior Principal Distribution Amounts for all Fixed Rate Loan Categories that are *not* subject to Collateral Deficiencies or at parity.

Collateral Deficiency—With respect to any Fixed Rate Loan Category and any Distribution Date, the **excess**, if any, of

- the aggregate outstanding principal balance of the related Senior Certificates (other than the 1A-PO Class in the case of the Category 1 Senior Certificates, and in all cases after giving effect to the application thereto on that date of the Regular Senior Principal Distribution Amount of the related Loan Category)

over

- the aggregate Stated Principal Balance of the applicable Fixed Rate Loan Category as of the related Due Date (in the case of the Category 1 Loans, multiplied by the applicable Non-PO Percentages).

Combined Collateral Deficiency—With respect to any Distribution Date, the aggregate of Collateral Deficiencies for all Fixed Rate Loan Categories.

Debt Service Reduction—A court-ordered reduction in the scheduled monthly payment for any Mortgage Loan, issued by a court of competent jurisdiction in a proceeding under the Bankruptcy Code. After the court's final, non-appealable decision, we shall deem each Realized Loss associated with a Debt Service Reduction to be incurred on each Distribution Date, based upon the reduced payments received during the related Due Period on the related Mortgage Loan.

Deficient Valuation—For any Mortgage Loan, a valuation of the related Mortgaged Property in an amount less than the then outstanding principal balance of that loan, issued by a court of

competent jurisdiction in a proceeding under the Bankruptcy Code. We will not determine the Deficient Valuation or apply it as a Realized Loss until the court renders a final, non-appealable decision with respect to the valuation.

Discount Loans—Category 1 Loans having Net Mortgage Rates lower than 5.75% as of the Issue Date.

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.

Fixed Rate Group Aggregate Senior Percentage—For any Distribution Date, the **lesser** of

(i) 100% and

(ii) the percentage equivalent of a fraction, the numerator of which is the aggregate principal balance of the Fixed Rate Group Senior Certificates (other than the 1A-PO Class) immediately before that Distribution Date, and the denominator of which is the aggregate of the Stated Principal Balances of the Fixed Rate Loans (multiplied by the applicable Non-PO Percentages in the case of the Category 1 Loans) as of the beginning of the related Due Period.

Fixed Rate Group Mezzanine Termination Date—The Distribution Date on which the aggregate principal balance of the Fixed Rate Group Mezzanine and Subordinated Classes is reduced to zero.

Fixed Rate Group Non-Senior Principal Distribution Amount—With respect to any Distribution Date, the aggregate of the Category 1 Non-Senior Principal Distribution Amount, Category 2 Non-Senior Principal Distribution Amount, Category 3 Non-Senior Principal Distribution Amount and Category 4 Non-Senior Principal Distribution Amount for that date.

Non-Discount Loans—Category 1 Loans having Net Mortgage Rates equal to or greater than 5.75%.

Non-PO Percentage—For any Discount Loan and Distribution Date, the related Net Mortgage Rate for that Distribution Date *divided by* 5.75%, expressed as a percentage. The Non-PO Percentage with respect to any Non-Discount Loan will be 100%.

Original Non-Senior Principal Balance—With respect to the Fixed Rate Group, the aggregate outstanding principal balance of the Fixed Rate Group Non-Senior Classes as of the Settlement Date; and with respect to the ARM Group, the aggregate outstanding principal balance of the ARM Group Non-Senior Classes as of the Settlement Date.

PO Deferred Amount—For any Distribution Date on or before the Fixed Rate Group Mezzanine Termination Date, the PO Percentage of Realized Losses for each Discount Mortgage Loan that became a Liquidated Loan in the related Prepayment Period.

PO Principal Distribution Amount—For any Distribution Date, the aggregate of the following amounts:

(i) the applicable PO Percentage of the aggregate of the following:

(a) all monthly payments of principal due on each Discount Loan during the related Due Period, **plus**

(b) the principal portion of the purchase price of each Discount Loan that the Seller repurchases with respect to that Distribution Date, **plus**

(c) the Substitution Adjustment Amount received with respect to that Distribution Date in connection with any Discount Loan, **plus**

(d) any insurance proceeds or net liquidation proceeds received during the related Prepayment Period that are allocable to recoveries of principal of Discount Loans that are not yet Liquidated Loans, **plus**

(e) for each Discount Loan that became a Liquidated Loan during the related Prepayment Period, the amount of net liquidation proceeds received with respect to that Discount Loan that are allocable to principal, **plus**

(f) all partial and full principal prepayments by borrowers in respect of the Discount Loans received during the related Prepayment Period; **plus**

(ii) on the Mezzanine Termination Date, all PO Deferred Amounts that were not paid to Holders of the 1A-PO Class on or before the Fixed Rate Group Mezzanine Termination Date **plus**

(iii) on each Distribution Date after the Fixed Rate Group Mezzanine Termination Date, all Realized Losses allocated to the 1A-PO Class on that Distribution Date.

PO Percentage—For any Discount Loan and Distribution Date, (5.75% minus the related Net Mortgage Rate for that Distribution Date) divided by 5.75%, expressed as a percentage. The PO Percentage with respect to any Non-Discount Loan will be 0%.

Prepayment Interest Shortfall—For any Mortgage Loan with respect to which the related borrower made a prepayment of principal to the Master Servicer during a calendar month, an amount equal to:

(i) one full month's interest on the principal balance of that Mortgage Loan (before applying the prepayment), **minus**

(ii) the interest that the related borrower paid on that Mortgage Loan in respect of that calendar month.

Prepayment Period—For any Distribution Date, the calendar month preceding the month in which such Distribution Date occurs.

Principal Collections—With respect to any Fixed Rate Loan Category or the ARM Loans, as applicable, the aggregate amount available on any Distribution Date to pay the Holders of the related Certificates, which will equal the following:

(i) all scheduled principal payments on the Mortgage Loans in the related Category or Group due during the related Due Period and received by the 15th day of the month of such Distribution Date (or if such 15th day is not a business day, the next business day), **plus**

(ii) prepayments, net liquidation proceeds (*i.e.*, after giving effect to payment of unreimbursed liquidation expenses and payment in full of any outstanding arrearages in connection with a Mortgage Loan) and other unscheduled collections of principal received on the related Mortgage Loans during the immediately preceding Prepayment Period, **plus**

(iii) the principal portion of any Delinquency Advances the Master Servicer makes for that Distribution Date with respect to late payments in respect of the related Mortgage Loans, **minus**

(iv) certain amounts applicable to the related Mortgage Loans, including Servicing Advances, Delinquency Advances and amounts received or recovered in respect of outstanding arrearages, reimbursable to the Master Servicer.

Realized Loss—In general:

(i) as to any Liquidated Loan, its Stated Principal Balance as of the date of liquidation minus the principal portion of net liquidation proceeds (*i.e.* after giving effect to payment of unreimbursed liquidation expenses and payment in full of any outstanding arrearages in connection with the related Mortgage Loan) realized on it,

(ii) for each Mortgage Loan that has received a Deficient Valuation, the difference between the Stated Principal Balance of the Mortgage Loan immediately before the Deficient Valuation and the outstanding principal balance of the Mortgage Loan as reduced by the Deficient Valuation, and

(iii) for each Mortgage Loan that has received a Debt Service Reduction, the reduction in monthly principal attributable to the court-ordered reduction of the monthly mortgage payment, calculated on a month to month basis.

Regular Senior Principal Distribution Amount—With respect to the Fixed Rate Group Senior Certificates related to any Loan Category on any Distribution Date, the aggregate of items (i) through (vii) of the definition of Category 1 Senior Principal Distribution Amount, Category 2 Senior Principal Distribution Amount, Category 3 Senior Principal Distribution Amount or Category 4 Senior Principal Distribution Amount, as applicable.

Senior Percentage—For any Distribution Date with respect to

- the Category 1 Senior Certificates, the **lesser** of

(i) 100%, and

(ii) the percentage equivalent of a fraction, the numerator of which is the aggregate principal balance of the Category 1 Senior Certificates (other than the 1A-PO Class) immediately before that Distribution Date, and the denominator of which is the aggregate of the products of the applicable Non-PO Percentages multiplied by the Stated Principal Balances of the Category 1 Loans as of the beginning of the related Due Period,

- the Category 2 Senior Certificates, Category 3 Senior Certificates or Category 4 Senior Certificates, the **lesser** of

(i) 100% and

(ii) the percentage equivalent of a fraction, the numerator of which is the aggregate principal balance of the applicable Class or Classes of Senior Certificates immediately before that Distribution Date, and the denominator of which is the aggregate of the Stated Principal Balances of the Mortgage Loans in the related Loan Category as of the beginning of the related Due Period, and

- the ARM Group Senior Certificates, the **lesser** of

(i) 100% and

(ii) the percentage equivalent of a fraction, the numerator of which is the aggregate principal balance of the applicable Class of Senior Certificates immediately before that Distribution Date, and the denominator of which is the aggregate of the Stated Principal Balances of the ARM Loans as of the beginning of the related Due Period.

Senior Prepayment Percentage—For any Distribution Date during the periods specified below:

- in the case of the Category 1 Senior Certificates, Category 2 Senior Certificates, Category 3 Senior Certificates or Category 4 Senior Certificates, as applicable:

<u>Distribution Date</u>	<u>Senior Prepayment Percentage</u>
April 2003 through March 2008	100%
April 2008 through March 2009	the applicable Senior Percentage plus 70% of the related Subordinate Percentage
April 2009 through March 2010	the applicable Senior Percentage plus 60% of the related Subordinate Percentage
April 2010 through March 2011	the applicable Senior Percentage plus 40% of the related Subordinate Percentage
April 2011 through March 2012	the applicable Senior Percentage plus 20% of the related Subordinate Percentage
April 2012 and thereafter	the applicable Senior Percentage

- in the case of the ARM Group Certificates:

<u>Distribution Date</u>	<u>Senior Prepayment Percentage</u>
April 2003 through March 2010	100%
April 2010 through March 2011	the applicable Senior Percentage plus 70% of the related Subordinate Percentage
April 2011 through March 2012	the applicable Senior Percentage plus 60% of the related Subordinate Percentage
April 2012 through March 2013	the applicable Senior Percentage plus 40% of the related Subordinate Percentage
April 2013 through March 2014	the applicable Senior Percentage plus 20% of the related Subordinate Percentage
April 2014 and thereafter	the applicable Senior Percentage

If Category 1 Senior Certificates, Category 2 Senior Certificates, Category 3 Senior Certificates, Category 4 Senior Certificates or ARM Group Senior Certificates, as applicable, are no longer outstanding, the Senior Prepayment Percentage for the related Senior Certificates will be 0%.

Exceptions:

(A) If on any Distribution Date the Fixed Rate Group Aggregate Senior Percentage exceeds the initial Fixed Rate Group Aggregate Senior Percentage, the Senior Prepayment Percentage applicable to each of the Fixed Rate Categories for that Distribution Date will equal 100%.

(B) If on any Distribution Date the Senior Percentage applicable to the ARM Group exceeds the initial Senior Percentage applicable to that Group, the related Senior Prepayment Percentage for that Distribution Date will equal 100%.

(C) In addition, the related Senior Prepayment Percentage will not decrease if cumulative Realized Losses exceed:

- in the case of the Fixed Rate Group
 - (i) with respect to the Distribution Date falling on or after the fifth, and prior to the sixth, anniversary of the first Distribution Date, 30% of the related Original Non-Senior Principal Balance,
 - (ii) with respect to the Distribution Date falling on or after the sixth, and prior to the seventh, anniversary of the first Distribution Date, 35% of the related Original Non-Senior Principal Balance,

(iii) with respect to the Distribution Date falling on or after the seventh, and prior to the eighth, anniversary of the first Distribution Date, 40% of the related Original Non-Senior Principal Balance,

(iv) with respect to the Distribution Date falling on or after the eighth, and prior to the ninth, anniversary of the first Distribution Date, 45% of the related Original Non-Senior Principal Balance, and

(v) with respect to the Distribution Date falling on or after the ninth anniversary of the first Distribution Date, 50% of the related Original Non-Senior Principal Balance, and

- in the case of the ARM Group

(i) with respect to the Distribution Date falling on or after the seventh, and prior to the eighth, anniversary of the first Distribution Date, 30% of the related Original Non-Senior Principal Balance,

(ii) with respect to the Distribution Date falling on or after the eighth, and prior to the ninth, anniversary of the first Distribution Date, 35% of the related Original Non-Senior Principal Balance,

(iii) with respect to the Distribution Date falling on or after the ninth, and prior to the tenth, anniversary of the first Distribution Date, 40% of the related Original Non-Senior Principal Balance,

(iv) with respect to the Distribution Date falling on or after the tenth, and prior to the eleventh, anniversary of the first Distribution Date, 45% of the related Original Non-Senior Principal Balance, and

(v) with respect to the Distribution Date falling on or after the eleventh anniversary of the first Distribution Date, 50% of the related Original Non-Senior Principal Balance.

Specified Non-Senior Interest Distribution Amount—For any Class of Non-Senior Certificates and any Distribution Date, an amount equal to the **sum** of:

(i) one month's interest at the applicable rate on the outstanding principal balance of that Class less the Uncovered Prepayment Interest Shortfalls allocated to that Class,

plus

(ii) any interest remaining unpaid from previous Distribution Dates with respect to that Class (excluding any additional interest on the unpaid amount).

Specified Non-Senior Principal Distribution Amount—For any Class of Non-Senior Certificates in the Fixed Rate Group or the ARM Group and each Distribution Date, the **lesser** of the following amounts:

(a) that Class's pro rata portion (based on the ratio of the principal balance of that Class to the aggregate principal balance of all the Non-Senior Classes in the related Group immediately before that Distribution Date) of the Fixed Rate Non-Senior Principal Distribution Amount or ARM Group Non-Senior Principal Distribution Amount, as applicable, for that Distribution Date, or

(b) the portion of remaining Principal Collections available for payment to the Non-Senior Certificates in the related Group, applying the distribution priority described under “—Principal Payments on the Senior and Mezzanine Certificates—*Principal Payment Priorities*” “—*Fixed Rate Group*” or “—*ARM Group*” above, as applicable, **minus**, in the case of the Fixed Rate Group, the portion of the PO Deferred Amount allocated to that Class (if any) in the reverse order of their numerical Class designations (beginning with the Class of outstanding Fixed Rate

Group Non-Senior Certificates with the highest numerical Class designation and lowest payment priority).

Subordinate Percentage—For any Distribution Date and a Fixed Rate Category or the ARM Group, as applicable, 100% **minus** the related Senior Percentage for that Distribution Date.

Subordinate Prepayment Percentage—For any Distribution Date and a Fixed Rate Category or ARM Group, as applicable, 100% **minus** the related Senior Prepayment Percentage for that Distribution Date.

Uncovered Prepayment Interest Shortfalls—With respect to a Fixed Rate Category or ARM Group, as applicable, for any Distribution Date:

(i) the aggregate Prepayment Interest Shortfalls on the Mortgage Loans in the related Category or Group that prepaid during the Prepayment Period related to that Distribution Date, **minus**

(ii) one-half of the aggregate servicing fee with respect to the related Mortgage Loans (calculated in each case at the related Servicing Fee Rate) for that Distribution Date.

Allocation of Losses

Fixed Rate Group

On each Distribution Date, for so long as any Fixed Rate Group Non-Senior Certificates remain outstanding, we will allocate Realized Losses with respect to the Fixed Rate Loans (limited to the Non-PO Percentages of such Realized Losses in the case of the Category 1 Loans) to the Fixed Rate Group Non-Senior Certificates, in the reverse order of their numerical Class designations (beginning with the Class of Fixed Rate Group Non-Senior Certificates with the highest numerical Class designation), in each case until the principal balance of that Class is reduced to zero. The IM Class is deemed to have a lower numerical designation (and to have a higher payment priority) than the other Classes of Fixed Rate Group Non-Senior Certificates.

On and after the Distribution Date on which the aggregate principal balance of the Fixed Rate Group Non-Senior Certificates is reduced to zero, after application of Realized Losses on that date to any remaining Class or Classes of Fixed Rate Group Non-Senior Certificates until their principal balances are reduced to zero, Realized Losses related to the Fixed Rate Loans on each Distribution Date will be allocated, pro rata, to the Senior Certificates of the related Category on the basis of their respective outstanding principal balances (such allocation being limited to the Non-PO Percentage of Realized Losses in the case of the Category 1 Loans).

On each Distribution Date, we will allocate the applicable PO Percentage of any Realized Loss on a Discount Mortgage Loan to the 1A-PO Class, until its principal balance is reduced to zero. We will treat the amount of any such Realized Loss that is allocated to the 1A-PO Class on or prior to the Fixed Rate Group Mezzanine Termination Date as a 1A-PO Deferred Amount.

To the extent funds are available on any Distribution Date, we will pay PO Deferred Amounts on the 1A-PO Class from amounts that otherwise would be payable as principal of the Fixed Rate Group Non-Senior Certificates. The principal balance of the outstanding Class of Fixed Rate Group Non-Senior Certificates with the highest numerical Class designation will be reduced by the amount of any payments in respect of PO Deferred Amounts. Payments in respect of unpaid PO Deferred Amounts will not further reduce the principal balance of the 1A-PO Class. The PO Deferred Amounts will not bear interest. After the Fixed Rate Group Mezzanine Termination Date, we will not create any new PO Deferred Amounts.

ARM Group

On each Distribution Date, for so long as any ARM Group Non-Senior Certificates remain outstanding, we will allocate Realized Losses with respect to the ARM Loans to the related Non-Senior Certificates, in the reverse order of their numerical Class designations (beginning with the Class of Non-Senior Certificates with the highest numerical Class designation), in each case until the principal balance of that Class is reduced to zero. The IIM Class is deemed to have a lower numerical designation (and to have a higher payment priority) than the other Classes of ARM Group Non-Senior Certificates.

On and after the Distribution Date on which the aggregate principal balance of the ARM Group Non-Senior Certificates is reduced to zero, Realized Losses related to the ARM Loans on each Distribution Date (after application of Realized Losses on that date to any remaining Class or Classes of ARM Group Non-Senior Certificates until their principal balances are reduced to zero) will be allocated to the 5A Class.

Subordination

Before we make any payment of interest to holders of Non-Senior Certificates on any Distribution Date, we are obligated to pay holders of the related Senior Certificates the interest to which they are entitled out of interest collections on the related Mortgage Loans on that Distribution Date. Similarly, before we make any payment of principal to holders of Non-Senior Certificates on any Distribution Date, we are obligated to pay holders of the related Senior Certificates the principal to which they are entitled out of Principal Collections on the related Mortgage Loans on that Distribution Date.

In addition, the rights of holders of the IB-1 and IB-2 Classes to receive interest payments will be subordinate to the rights of holders of the IM Class to receive payments of interest and the rights of the holders of the IB-1 and IB-2 Classes to receive principal payments will be subordinate to the rights of holders of the IM Class to receive payments of principal. Similarly, the rights of holders of the IIB-1 and IIB-2 Classes to receive interest payments will be subordinate to the rights of the IIM Class to receive payments of interest, and the rights of the holders of the IIB-1 and IIB-2 Classes to receive principal payments will be subordinate to the rights of holders of the IIM Class to receive payments of principal.

Moreover, the rights of holders of the IB-2 Class to receive interest payments will be further subordinate to the rights of holders of the IB-1 Class to receive payments of interest and the rights of the holders of the IB-2 Class to receive payments of principal will be further subordinate to the rights of the holders of the IB-1 Class to receive principal payments. Similarly, the rights of holders of the IIB-2 Class to receive interest payments will be further subordinate to the rights of holders of the IIB-1 Class to receive payments of interest, and the rights of the holders of the IIB-2 Class to receive payments of principal will be further subordinate to the rights of the holders of IIB-1 Class to receive payments of principal.

See “—*Interest Payment Priorities*” and “—*Principal Payment Priorities*” above.

Class Definitions and Abbreviations

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

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
MEZZ	Mezzanine	Is included in a group of classes that together with any related subordinate classes receive a specified subordinate percentage of available principal funds from designated trust assets, with such funds being applied to the related group of classes in the order and priority specified before being applied to any subordinate class.
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.
SR/PT	Senior/Pass Through	Receives a specified senior percentage of available funds from designated trust assets. In most cases, it will receive principal on each distribution date until it is retired.
SR/SEQ	Senior/Sequential Pay	Is included in a group of classes that together receive a specified senior percentage of available principal funds from designated trust assets, with such receipts applied to classes in that group in a prescribed sequence but without a determined schedule. In most cases, once a Senior/Sequential Pay Class begins receiving principal payments it will continue to receive principal on each Distribution Date until it is retired.
INTEREST TYPES		
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
IO	Interest Only	Receives some or all of the interest payments made on the Mortgage Loans or other assets of the trust but little or no principal. Interest Only Classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate the 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.
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 Coupon weighted average interest rate that may change from period to period.

Special Characteristics of the A-R, RM and RL Classes

While the A-R Class will receive payments of interest and principal, the RM 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 all Senior, Mezzanine and Subordinate Classes are reduced to zero, we will pay the Holder of the A-R Class the proceeds from those assets. If any assets of Lower Tier REMIC 1 remain after the principal balances of the Lower Tier 1 Regular Interests are reduced to zero, we will pay the Holder of the RM Class the proceeds of those assets. If any assets of Lower Tier REMIC 2 remain after the principal balances of the Lower Tier 2 Regular Interests are reduced to zero, we will pay the Holder of the RL Class the proceeds of those assets. We do not expect that any material assets will remain in any such case.

No Residual 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 a Residual Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is a “U.S. Person” (as defined below) or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate,
- 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,
- the transferee is not a disqualified organization,
- it is not acquiring the A-R, RM or RL Class 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 Residual Certificates will not be owned directly or indirectly by a disqualified organization,
- it is not acquiring the A-R, RM or RL Class 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 A-R, RM or RL Class Certificate,
- it intends to pay taxes on the A-R, RM or RL Class Certificate as they become due,
- it will not cause income from the A-R, RM or RL Class Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer, and
- it will not transfer the A-R, RM or RL Class Certificate unless it has received from the new transferee an affidavit containing these same 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 the Residual Certificate—Sales and other Dispositions of Residual Certificate—Residual Certificates Transferred to or Held by Disqualified Organizations.*”

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.

No A-R, RM or RL Class Certificate may be transferred to any person that is not (i) a “U.S. Person” or (ii) a foreign person subject to United States income taxation on a net basis on income derived from the Residual Certificate. 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 states or the District of Columbia,
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income or
- a trust if a court within the United States can exercise primary supervision over its administration and 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 A-R, RM 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 A-R, RM or RL Class Certificate 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 related REMIC. A transferor is presumed not to have improper knowledge if three 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. Third, the transfer satisfies either the “asset test” or the “formula test.”

A transfer satisfies that asset test if (i) 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), (ii) the transferee is an “eligible corporation” and it 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 satisfy the asset test, and (iii) the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid. A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the A-R, RM or RL Class Certificate is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire that Certificate, (ii) expected future distributions on that Certificate, and (iii) anticipated tax savings associated with holding that Certificate as the related REMIC trust generates losses. The Regulations contain additional details regarding its application, and you should consult your own tax advisor regarding the application of the Regulations to an actual transfer of the A-R, RM or RL Class.

The Holder of the A-R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Upper Tier REMIC, the Holder of the RM Class will be considered to be the holder of the “residual interest” in the REMIC constituted by Lower Tier REMIC 1, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by Lower Tier REMIC 2. 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 A-R, RM and RL Classes (i) information that they need to

prepare their federal income tax returns and (ii) any reports regarding the A-R, RM 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 based on (i) the assumed characteristics of the Mortgage Loans set forth in Exhibit A and (ii) the following assumptions (collectively, the “Pricing Assumptions”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the related Mortgage Loans prepay at the constant percentages of CPR specified in the related tables;
- with respect to the ARM Loans, the assumed value for 1-Year CMT is 1.24%;
- there are no Uncovered Prepayment Interest Shortfalls;
- there are no defaults, losses, delinquencies or liquidations with respect to the Mortgage Loans;
- there are no substitutions of the Mortgage Loans after the Issue Date;
- there are no modifications of the terms of any Mortgage Loans;
- each Distribution Date for the Certificates occurs on the 25th day of the related month beginning in April 2003; and
- the settlement date for the sale of the Certificates is March 31, 2003.

Prepayment Assumption. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used here assumes a constant prepayment rate (“CPR”). *This model does not predict the prepayment experience of the Mortgage Loans or describe the historic performance of any particular pool of mortgage loans, including the Mortgage Loans.*

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

The Interest Only Classes. The yields to investors in the 1A-IO, 2A-IO, 3A-IO and 4A-IO Classes will be very sensitive to the rate of principal payments (including prepayments) of the Category 1, Category 2, Category 3, and Category 4 Loans, respectively. The Mortgage Loans can be prepaid by the related borrowers with no prepayment penalty. On the basis of the assumptions described below, the yield to maturity and the yield to call on the 1A-IO, 2A-IO, 3A-IO and 4A-IO Classes would be 0% if prepayments of the Mortgage Loans in the related Loan Categories were to occur at the constant rates shown in the following table:

<u>Class</u>	<u>0% Yield to Maturity</u>	<u>0% Yield to Call</u>
1A-IO	25% CPR	25% CPR
2A-IO	28% CPR	27% CPR
3A-IO	30% CPR	28% CPR
4A-IO	30% CPR	28% CPR

For any Interest Only 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 such level for the remaining months, the investors in the applicable Class would lose money on their initial investments.

We cannot assure you that:

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

Further, Uncovered Prepayment Interest Shortfalls or reductions in the amount of interest payable on the Interest Only Classes due to reductions in the Mortgage Interest Rates as a result of loan modifications or the application of the Relief Act will reduce the yield to investors in the related Interest Only Classes. In certain cases, these reductions in yield could be substantial.

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 Interest Only Classes (in each case, expressed as a percentage of the original notional principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
1A-IO	5.56076%
2A-IO	1.99602%
3A-IO	1.35324%
4A-IO	2.09735%

* 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 1A-IO Class to Prepayments
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16%</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
1A-IO.....	45.3%	32.4%	26.0%	17.6%	9.7%	2.2%	(8.4)%

**Sensitivity of the 1A-IO Class to Prepayments
(Pre-Tax Yields to Call*)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16% / 17%†</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
1A-IO.....	45.3%	32.4%	25.9%	17.5%	9.3%	1.2%	(11.2)%

* 5% optional termination.

† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

**Sensitivity of the 2A-IO Class to Prepayments
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
2A-IO.....	29.1%	22.4%	19.0%	13.2%	9.8%	5.1%	(1.8)%

**Sensitivity of the 2A-IO Class to Prepayments
(Pre-Tax Yields to Call*)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16% / 17%†</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
2A-IO.....	29.1%	22.4%	18.9%	13.0%	9.2%	3.9%	(4.6)%

* 5% optional termination.

† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

**Sensitivity of the 3A-IO Class to Prepayments
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
3A-IO.....	27.8%	21.6%	18.4%	13.2%	10.2%	6.1%	0.3%

**Sensitivity of the 3A-IO Class to Prepayments
(Pre-Tax Yields to Call*)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16% / 17%†</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
3A-IO.....	27.8%	21.6%	18.4%	13.0%	9.6%	4.9%	(2.8)%

* 5% optional termination.

† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

**Sensitivity of the 4A-IO Class to Prepayments
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>17%</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
4A-IO	28.1%	21.8%	18.6%	13.2%	10.1%	5.9%	(0.2)%

**Sensitivity of the 4A-IO Class to Prepayments
(Pre-Tax Yields to Call*)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16 / 17%†</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
4A-IO	28.1%	21.8%	18.5%	13.0%	9.5%	4.7%	(3.2)%

* 5% optional termination.

† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

The Principal Only Class. **The Principal Only Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Discount Loans will have a negative effect on the yield to investors in the Principal Only 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 price of the 1A-PO Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price</u>
1A-PO	77.875%

**Sensitivity of the 1A-PO Class to Prepayments*
(Pre-Tax Yields to Maturity)**

<u>CPR Prepayment Assumption</u>						
<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16%</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
2.2%	3.6%	4.5%	5.7%	7.1%	8.5%	10.9%

* Applies only to Discount Mortgage Loans.

**Sensitivity of the 1A-PO Class to Prepayments*
(Pre-Tax Yields to Call**)**

<u>CPR Prepayment Assumption</u>						
<u>3%</u>	<u>9%</u>	<u>12%</u>	<u>16% / 17%†</u>	<u>20%</u>	<u>24%</u>	<u>30%</u>
2.2%	3.7%	4.5%	5.8%	7.2%	8.7%	11.1%

* Applies only to Discount Mortgage Loans.

** 5% optional termination.

† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

Weighted Average Lives of the Senior and Mezzanine Certificates

The weighted average life of a Class of Certificates refers to the average length of time, weighted by principal, that will elapse from the time we issue the Certificates 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 life of each Class of Senior and Mezzanine 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 Countrywide Servicing's option to repurchase. We will apply prepayments on the Mortgage Loans to principal payments on the Certificates, as described in this prospectus. The effect of these factors may differ as to various Classes of Senior and Mezzanine Certificates and the effects on any Class may vary at different times during the life of that Class. Accordingly, we can give no assurance as to the weighted average life of any Class.

Maturity Considerations, Last Scheduled Distribution Date of the Mezzanine Classes and Final Distribution Date of the Senior Classes

We expect the original maturities of substantially all the Mortgage Loans to be between 20 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 last scheduled Distribution Date for each Class of Mezzanine Certificates is the Distribution Date in October 2042. This date is determined on the basis of the following assumptions:

- the latest maturing Mortgage Loan is modified to extend its term by 10 years;
- no Mortgage Loan is prepaid or repurchased from the Trust prior to its modified maturity date; and
- the optional calls are not exercised.

The final Distribution Dates for the Senior Classes are the respective Distribution Dates occurring in the months specified in the following table:

<u>Class</u>	<u>Final Distribution Date</u>
1A-1	August 2034
1A-2	April 2038
1A-3	March 2040
1A-4	October 2042
1A-IO.....	October 2042
1A-PO	October 2042
A-R	October 2042
2A	October 2042
2A-IO.....	October 2042
3A	October 2042
3A-IO.....	October 2042
4A	October 2042
4A-IO.....	October 2042
5A	October 2042

Each of the final Distribution Dates occurring in October 2042 is determined on the basis of the assumptions specified in the immediately preceding paragraph. In the case of the 1A-1, 1A-2 and 1A-3 Classes, their respective final Distribution Dates are determined on the basis of the assumptions specified in the three bullets in the immediately preceding paragraph and the following additional assumptions:

- the Fixed Rate Loans prepay at a constant rate of 0% CPR,
- the weighted average maturity of the Fixed Rate Loans and the ARM Loans is 355 months and the weighted average coupon of the Fixed Rate Loans is 13.00%, and
- principal is paid on the 1A-1, 1A-2 and 1A-3 Classes in accordance with the order of priority set forth under “—Principal Payments on the Senior and Mezzanine Certificates—*Principal Payment Priorities —Fixed Rate Group*” above.

Decrement Tables

The following tables indicate the percentages of original principal balances or notional principal balance of the specified Classes that would be outstanding after each date 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 related Mortgage Loans will have the interest rates or remaining terms to maturity assumed or
- that the related Mortgage Loans will prepay at any constant percentage of 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 is the case even if the dispersion of weighted average maturities of the Mortgage Loans are identical to the dispersion of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	1A-1 Class							1A-2 Class							1A-3 Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	16%	20%	24%	30%	0%	9%	12%	16%	20%	24%	30%	0%	9%	12%	16%	20%	24%	30%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2004	96	68	59	47	35	23	5	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2005	91	40	24	3	0	0	0	100	100	100	100	74	44	3	100	100	100	100	100	100	100
March 2006	86	14	0	0	0	0	0	100	100	88	47	10	0	0	100	100	100	100	100	68	10
March 2007	81	0	0	0	0	0	0	100	85	45	0	0	0	0	100	100	100	99	46	1	0
March 2008	75	0	0	0	0	0	0	100	51	8	0	0	0	0	100	100	100	47	0	0	0
March 2009	69	0	0	0	0	0	0	100	21	0	0	0	0	0	100	100	69	4	0	0	0
March 2010	63	0	0	0	0	0	0	100	0	0	0	0	0	0	100	92	32	0	0	0	0
March 2011	56	0	0	0	0	0	0	100	0	0	0	0	0	0	100	61	1	0	0	0	0
March 2012	48	0	0	0	0	0	0	100	0	0	0	0	0	0	100	32	0	0	0	0	0
March 2013	40	0	0	0	0	0	0	100	0	0	0	0	0	0	100	7	0	0	0	0	0
March 2014	32	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2015	23	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2016	13	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2017	3	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2018	0	0	0	0	0	0	0	87	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2019	0	0	0	0	0	0	0	68	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2020	0	0	0	0	0	0	0	48	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2021	0	0	0	0	0	0	0	27	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2022	0	0	0	0	0	0	0	4	0	0	0	0	0	0	100	0	0	0	0	0	0
March 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	73	0	0	0	0	0	0
March 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	38	0	0	0	0	0	0
March 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
March 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	8.3	1.7	1.3	1.0	0.8	0.7	0.5	16.9	5.1	3.9	3.0	2.4	2.0	1.5	20.7	8.4	6.6	5.0	4.0	3.3	2.6

Date	1A-4 Class							1A-10† Class							1A-PO Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	16%	20%	24%	30%	0%	9%	12%	16%	20%	24%	30%	0%	9%	12%	16%	20%	24%	30%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2004	100	100	100	100	100	100	100	99	90	87	83	79	75	69	98	89	86	83	79	75	69
March 2005	100	100	100	100	100	100	100	97	80	75	68	62	56	48	96	80	75	68	62	56	47
March 2006	100	100	100	100	100	100	100	95	72	65	57	49	42	33	94	71	64	56	48	41	32
March 2007	100	100	100	100	100	100	70	94	64	56	47	38	31	22	92	63	55	46	38	31	22
March 2008	100	100	100	100	97	73	45	92	57	48	38	30	23	15	90	56	47	38	29	23	15
March 2009	100	100	100	100	75	53	29	90	51	42	32	24	17	11	88	50	41	31	23	17	10
March 2010	100	100	100	83	57	38	19	88	45	36	26	18	13	7	85	44	35	25	18	12	7
March 2011	100	100	100	68	44	28	12	85	40	31	21	14	9	5	82	39	30	20	14	9	5
March 2012	100	100	86	55	34	20	8	83	35	26	17	11	7	3	79	34	25	17	11	7	3
March 2013	100	100	73	45	26	15	5	80	31	22	14	9	5	2	76	30	21	13	8	5	2
March 2014	100	91	62	36	20	11	4	77	27	19	11	7	4	2	73	26	18	11	6	4	1
March 2015	100	80	53	29	16	8	2	74	24	16	9	5	3	1	70	23	15	9	5	3	1
March 2016	100	69	44	23	12	6	2	71	21	13	7	4	2	1	66	19	13	7	4	2	1
March 2017	100	60	37	19	9	4	1	68	18	11	6	3	1	*	62	17	10	5	3	1	*
March 2018	100	52	31	15	7	3	1	64	16	9	5	2	1	*	58	14	9	4	2	1	*
March 2019	100	44	25	12	5	2	*	60	13	8	4	2	1	*	54	12	7	3	2	1	*
March 2020	100	37	21	9	4	2	*	56	11	6	3	1	1	*	49	10	6	3	1	*	*
March 2021	100	31	17	7	3	1	*	51	9	5	2	1	*	*	45	8	4	2	1	*	*
March 2022	100	26	13	5	2	1	*	46	8	4	2	1	*	*	39	7	3	1	1	*	*
March 2023	100	21	10	4	1	*	*	41	6	3	1	*	*	*	34	5	3	1	*	*	*
March 2024	100	16	8	3	1	*	*	35	5	2	1	*	*	*	28	4	2	1	*	*	*
March 2025	100	12	6	2	1	*	*	29	4	2	1	*	*	*	22	3	1	*	*	*	*
March 2026	79	9	4	1	*	*	*	23	3	1	*	*	*	*	15	2	1	*	*	*	*
March 2027	56	6	2	1	*	*	*	16	2	1	*	*	*	*	9	1	*	*	*	*	*
March 2028	31	3	1	*	*	*	*	9	1	*	*	*	*	*	1	*	*	*	*	*	*
March 2029	4	*	*	*	*	*	*	1	*	*	*	*	*	*	0	0	0	0	0	0	0
March 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	24.2	16.1	13.5	10.7	8.7	7.2	5.5	16.8	7.9	6.4	5.1	4.1	3.4	2.7	15.6	7.6	6.2	5.0	4.0	3.4	2.7

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

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

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

Date	2A Class							2A-IO† Class							AR Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	17%	20%	24%	30%	0%	9%	12%	17%	20%	24%	30%	0%	9%	12%	17%	20%	24%	30%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2004	99	90	87	81	78	74	68	99	90	87	82	79	75	69	0	0	0	0	0	0	0
March 2005	97	80	75	66	61	55	46	97	81	75	67	62	56	48	0	0	0	0	0	0	0
March 2006	96	72	65	54	48	41	31	96	72	65	55	49	42	33	0	0	0	0	0	0	0
March 2007	94	64	56	43	37	30	21	94	65	57	45	39	31	23	0	0	0	0	0	0	0
March 2008	93	57	48	35	29	22	13	93	58	49	37	30	23	16	0	0	0	0	0	0	0
March 2009	91	51	41	28	22	16	9	91	52	42	30	24	18	11	0	0	0	0	0	0	0
March 2010	89	45	35	23	17	11	6	89	46	36	24	19	13	7	0	0	0	0	0	0	0
March 2011	87	40	30	18	13	8	4	87	41	31	20	15	10	5	0	0	0	0	0	0	0
March 2012	85	35	26	15	10	6	2	85	36	27	16	11	7	3	0	0	0	0	0	0	0
March 2013	82	31	22	12	8	4	2	82	32	23	13	9	5	2	0	0	0	0	0	0	0
March 2014	79	27	19	9	6	3	1	79	28	19	10	7	4	2	0	0	0	0	0	0	0
March 2015	77	24	16	8	5	2	1	77	25	17	8	5	3	1	0	0	0	0	0	0	0
March 2016	74	21	13	6	4	2	*	74	22	14	7	4	2	1	0	0	0	0	0	0	0
March 2017	70	18	11	5	3	1	*	70	19	12	5	3	2	*	0	0	0	0	0	0	0
March 2018	67	16	9	4	2	1	*	67	16	10	4	2	1	*	0	0	0	0	0	0	0
March 2019	63	14	8	3	2	1	*	63	14	8	3	2	1	*	0	0	0	0	0	0	0
March 2020	59	12	6	2	1	*	*	59	12	7	2	1	1	*	0	0	0	0	0	0	0
March 2021	55	10	5	2	1	*	*	55	10	5	2	1	*	*	0	0	0	0	0	0	0
March 2022	50	8	4	1	1	*	*	50	8	4	1	1	*	*	0	0	0	0	0	0	0
March 2023	45	7	3	1	*	*	*	45	7	3	1	1	*	*	0	0	0	0	0	0	0
March 2024	39	5	3	1	*	*	*	39	5	3	1	*	*	*	0	0	0	0	0	0	0
March 2025	33	4	2	1	*	*	*	33	4	2	1	*	*	*	0	0	0	0	0	0	0
March 2026	27	3	1	*	*	*	*	27	3	1	*	*	*	*	0	0	0	0	0	0	0
March 2027	20	2	1	*	*	*	*	20	2	1	*	*	*	*	0	0	0	0	0	0	0
March 2028	13	1	1	*	*	*	*	13	1	1	*	*	*	*	0	0	0	0	0	0	0
March 2029	5	*	*	*	*	*	*	5	*	*	*	*	*	*	0	0	0	0	0	0	0
March 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.4	7.9	6.4	4.7	4.0	3.3	2.5	17.4	8.0	6.5	4.8	4.2	3.5	2.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Date	3A Class							3A-IO† Class							4A Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	17%	20%	24%	30%	0%	9%	12%	17%	20%	24%	30%	0%	9%	12%	17%	20%	24%	30%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2004	99	90	87	82	78	74	68	99	90	87	82	79	75	69	99	90	87	82	79	74	68
March 2005	97	80	75	66	61	55	46	97	81	75	67	62	56	48	98	80	75	66	61	55	46
March 2006	96	72	65	54	48	41	31	96	72	65	55	49	42	33	96	72	65	54	48	41	31
March 2007	94	64	56	43	37	30	21	94	65	57	45	39	31	23	95	64	56	44	37	30	21
March 2008	93	57	48	35	29	22	13	93	58	49	37	30	24	16	93	57	48	35	29	22	14
March 2009	91	51	41	28	22	16	9	91	52	42	30	24	18	11	91	51	41	28	22	16	9
March 2010	89	45	35	23	17	11	6	89	46	36	24	19	13	7	90	45	35	23	17	11	6
March 2011	87	40	30	18	13	8	4	87	41	31	20	15	10	5	87	40	30	18	13	8	4
March 2012	85	35	26	15	10	6	2	85	36	27	16	11	7	3	85	36	26	15	10	6	2
March 2013	82	31	22	12	8	4	2	82	32	23	13	9	5	2	83	31	22	12	8	4	2
March 2014	79	27	19	9	6	3	1	79	28	19	10	7	4	2	80	28	19	10	6	3	1
March 2015	77	24	16	8	5	2	1	77	25	17	8	5	3	1	77	24	16	8	5	2	1
March 2016	73	21	13	6	4	2	*	73	22	14	7	4	2	1	74	21	14	6	4	2	1
March 2017	70	18	11	5	3	1	*	70	19	12	5	3	2	*	71	18	11	5	3	1	*
March 2018	67	16	9	4	2	1	*	67	16	10	4	2	1	*	67	16	9	4	2	1	*
March 2019	63	14	8	3	2	1	*	63	14	8	3	2	1	*	63	14	8	3	2	1	*
March 2020	58	11	6	2	1	*	*	58	12	7	2	1	1	*	59	11	6	2	1	*	*
March 2021	54	10	5	2	1	*	*	54	10	5	2	1	*	*	54	10	5	2	1	*	*
March 2022	49	8	4	1	1	*	*	49	8	4	1	1	*	*	49	8	4	1	1	*	*
March 2023	44	6	3	1	*	*	*	44	7	3	1	1	*	*	43	6	3	1	*	*	*
March 2024	38	5	2	1	*	*	*	38	5	3	1	*	*	*	37	5	2	1	*	*	*
March 2025	32	4	2	*	*	*	*	32	4	2	1	*	*	*	30	4	2	*	*	*	*
March 2026	25	3	1	*	*	*	*	25	3	1	*	*	*	*	23	3	1	*	*	*	*
March 2027	18	2	1	*	*	*	*	18	2	1	*	*	*	*	15	2	1	*	*	*	*
March 2028	10	1	*	*	*	*	*	10	1	*	*	*	*	*	7	1	*	*	*	*	*
March 2029	2	*	*	*	*	*	*	2	*	*	*	*	*	*	0	0	0	0	0	0	0
March 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.3	7.9	6.4	4.7	4.0	3.3	2.5	17.3	8.0	6.5	4.8	4.2	3.5	2.7	17.2	7.9	6.4	4.7	4.0	3.3	2.6

* 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	4A-10† Class							IM, IB-1 and IB-2 Classes						
	CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	9%	12%	17%	20%	24%	30%	0%	9%	12%	16% / 17%††	20%	24%	30%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2004	99	90	87	82	79	75	69	99	99	99	99	99	99	99
March 2005	98	81	76	67	62	56	48	97	97	97	97	97	97	97
March 2006	96	73	66	55	49	42	33	96	96	96	96	96	96	96
March 2007	95	65	57	45	39	32	23	94	94	94	94	94	94	94
March 2008	93	58	49	37	31	24	16	93	93	93	93	93	93	93
March 2009	91	52	42	30	24	18	11	91	88	87	86	85	84	82
March 2010	90	46	37	24	19	13	7	89	83	81	78	76	73	69
March 2011	87	41	31	20	15	10	5	87	77	73	68	65	61	55
March 2012	85	36	27	16	11	7	3	84	69	64	57	53	47	40
March 2013	83	32	23	13	9	5	2	82	61	55	46	41	35	27
March 2014	80	28	20	10	7	4	2	79	54	47	37	32	26	18
March 2015	77	25	17	8	5	3	1	76	47	40	30	24	19	12
March 2016	74	22	14	7	4	2	1	73	41	33	24	19	14	8
March 2017	71	19	12	5	3	2	*	70	36	28	19	14	10	6
March 2018	67	16	10	4	2	1	*	66	31	23	15	11	7	4
March 2019	63	14	8	3	2	1	*	62	26	19	12	8	5	2
March 2020	59	12	7	2	1	1	*	58	22	16	9	6	4	2
March 2021	54	10	5	2	1	*	*	53	19	13	7	4	3	1
March 2022	49	8	4	1	1	*	*	48	15	10	5	3	2	1
March 2023	43	7	3	1	*	*	*	43	12	8	4	2	1	*
March 2024	37	5	3	1	*	*	*	37	10	6	3	2	1	*
March 2025	30	4	2	1	*	*	*	31	7	5	2	1	*	*
March 2026	23	3	1	*	*	*	*	24	5	3	1	1	*	*
March 2027	15	2	1	*	*	*	*	17	3	2	1	*	*	*
March 2028	7	1	*	*	*	*	*	10	2	1	*	*	*	*
March 2029	0	0	0	0	0	0	0	2	*	*	*	*	*	*
March 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.2	8.0	6.5	4.9	4.2	3.5	2.7	17.1	12.4	11.5	10.4	9.8	9.2	8.6

Date	5A Class							IIM, IIB-1 and IIB-2 Classes						
	CPR Prepayment Assumption							CPR Prepayment Assumption						
	0%	10%	15%	20%	25%	30%	40%	0%	10%	15%	20%	25%	30%	40%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2004	98	88	83	78	73	68	58	98	98	98	98	98	98	98
March 2005	96	77	69	61	53	46	33	96	96	96	96	96	96	96
March 2006	93	67	56	47	38	31	18	93	93	93	93	93	93	93
March 2007	90	59	46	36	27	20	10	90	90	90	90	90	90	90
March 2008	88	51	38	27	19	13	5	88	88	88	88	88	88	88
March 2009	85	44	31	21	13	8	2	85	85	85	85	85	85	85
March 2010	81	38	25	16	9	5	*	81	81	81	81	81	81	81
March 2011	78	33	20	12	6	3	0	78	76	75	73	72	70	56
March 2012	75	28	16	9	4	2	0	75	70	67	64	61	58	32
March 2013	71	24	13	7	3	1	0	71	62	58	53	49	45	18
March 2014	68	20	10	5	2	1	0	68	54	48	42	37	32	10
March 2015	64	17	8	4	1	*	0	64	46	39	32	26	21	6
March 2016	60	15	7	3	1	*	0	60	39	31	24	18	14	3
March 2017	56	12	5	2	1	*	0	56	33	24	18	13	9	2
March 2018	52	10	4	2	*	*	0	52	27	19	13	9	6	1
March 2019	47	8	3	1	*	*	0	47	22	15	10	6	4	1
March 2020	43	7	2	1	*	*	0	43	18	11	7	4	2	*
March 2021	38	5	2	1	*	*	0	38	15	9	5	3	1	*
March 2022	33	4	1	*	*	*	0	33	11	6	3	2	1	*
March 2023	28	3	1	*	*	*	0	28	9	5	2	1	1	*
March 2024	22	2	1	*	*	*	0	22	6	3	2	1	*	*
March 2025	17	2	*	*	*	*	0	17	4	2	1	*	*	*
March 2026	11	1	*	*	*	*	0	11	3	1	*	*	*	*
March 2027	5	*	*	*	*	*	0	5	1	*	*	*	*	*
March 2028	1	*	*	*	*	*	0	1	*	*	*	*	*	*
March 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	14.5	6.7	4.9	3.8	3.0	2.5	1.7	14.5	11.8	11.0	10.3	9.9	9.5	8.1

* 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.

†† Assumes prepayment speeds of 16% CPR for the Category 1 Loans and 17% CPR for the Category 2, Category 3 and Category 4 Loans.

THE AGREEMENTS

We summarize below certain provisions of the Sale and Servicing Agreement and the Trust Agreement (together, the “Agreements”) that are not discussed elsewhere in this prospectus. Certain capitalized terms that we use in these summaries are defined in the Agreements. 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 Agreements, the terms of the Agreements will prevail.

Transfer of Mortgage Loans to the Trust

The Trust Agreement will contain a 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. 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 affect on the interests of Certificateholders.

At our option, we may choose to maintain the documents described above with one or more custodian institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation or the National Credit Union Administration. We will review the mortgage loan schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need.

If a liquidation, reorganization, or similar proceeding involving our assets or the assets of the Seller 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 of Mortgage Loans

Pursuant to the Sale and Servicing Agreement, Countrywide Servicing is responsible for servicing and administering the Mortgage Loans.

Except as otherwise specified in this prospectus, the Master Servicer will be obligated to perform diligently all services and duties customary to servicing mortgages, as well as those specifically prescribed in the Sale and Servicing Agreement. Under the Sale and Servicing Agreement, we will monitor the Master Servicer’s performance and have the right to remove the Master Servicer for cause at any time, if we consider such removal to be in the best interest of Certificateholders. The Master Servicer’s duties include general loan servicing, collecting and remitting principal and interest payments, administering mortgage escrow accounts, collecting insurance claims, and, if necessary, foreclosing on properties and administering and disposing of foreclosed properties.

Each month, the Master Servicer will receive a fee as compensation for its servicing activities. The fee will be calculated at an annual rate specified in the mortgage loan schedule forming a part of the Sale and Servicing Agreement (the “Servicing Fee Rate”), in each case calculated on the Stated Principal Balance of each Mortgage Loan. The Master Servicer is also entitled to retain prepayment fees, late charges, assumption fees and similar charges if they are collected from borrowers. The Master Servicer will pay all expenses it incurs in connection with its servicing activities and will not be reimbursed for them (except for Delinquency Advances and Servicing Advances and other liquidation expenses) out of the assets of the Trust.

In addition, as compensation for our guaranty of the Senior Certificates, we will receive a fee from amounts collected on the Mortgage Loans.

Payments on Mortgage Loans; Deposits in the Certificate Account

On or before each Remittance Date, the Master Servicer will remit to one or more accounts (collectively, the “Certificate Account”) an amount generally equal to the sum of

- scheduled principal and interest received on the Mortgage Loans during the related Due Period, plus
- unscheduled collections received on the Mortgage Loans (*i.e.*, voluntary prepayments, as well as principal and interest on the Mortgage Loans in the form of net liquidation proceeds or similar proceeds) during the related Prepayment Period, plus
- any Delinquency Advance that the Master Servicer must make in respect of delinquent payments of principal and interest on the Mortgage Loans with respect to the related Distribution Date.

Any amounts deposited into the Certificate Account are generally available on a Distribution Date to pay (i) interest accrued and distributable on the Certificates on that date (*i.e.*, excluding any Uncovered Prepayment Interest Shortfalls) 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 trust).

We are required to hold all such appropriately credited funds in our general accounts (and all funds in the Certificate Account that we have invested) for the related 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.

Amounts received and applied by the Master Servicer as reimbursements for Servicing Advances or Delinquency Advances or as recoveries of outstanding arrearages will not be required to be deposited in the Certificate Account.

Reports to Certificateholders

We will publish the class factor for each class of Certificates on or shortly after the 21st calendar day of each month. If you multiply the class factor for a class of Certificates by the original principal balance (or notional balance) of that class of Certificates, you will obtain the current principal balance (or notional balance) of that class of Certificates, after giving effect to the current month’s principal payment.

We will provide each Holder of Certificates 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.

Collection and Other Servicing Procedures

The Master Servicer is responsible for servicing the related Mortgage Loans. In this capacity, it has full power and authority to do or cause to be done anything it considers necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan.

The Master Servicer must make advances to the Trust for delinquent payments of principal of and interest on the Mortgage Loans until the earlier of (i) the date of conveyance of the related Mortgaged Property to HUD or the VA, as applicable, and (ii) final liquidation of the related Mortgaged Property. Before we make any payments on the Senior and Mezzanine Certificates, we will reimburse all these advances to the Master Servicer from monthly collections on the Mortgage Loans. We call these advances “Delinquency Advances.” In addition, we may reimburse the Master Servicer for unrecovered Delinquency Advances from net liquidation proceeds for the related Mortgage Loans.

The Master Servicer will have to pay all “out of pocket” costs and expenses incurred in performing its servicing obligations, if it deems that it will be able to recover these costs and expenses. These expenses include:

- expenditures in connection with a foreclosed Mortgage Loan prior to liquidation (including real estate property taxes, hazard insurance premiums and property restoration or preservation),
- the cost of enforcement or judicial proceedings, including foreclosures, and
- the cost of managing and liquidating a Mortgaged Property acquired in satisfaction of the related Mortgage Loan.

We call these costs and expenses “Servicing Advances.” The Master Servicer may recover a Servicing Advance to the extent permitted by the related Mortgage Loan. If the Master Servicer does not recover the Servicing Advance from the borrower on whose behalf the advance was made, it may recover the Servicing Advance from net liquidation proceeds realized upon the liquidation of the related Mortgage Loan, or to the extent such net liquidation proceeds are insufficient, allocated as a Realized Loss on the related Mezzanine and Subordinate Certificates.

Certain of the Mortgage Loans to be transferred to the Trust are subject to arrearages arising from unreimbursed interest, principal and servicing advances made prior to the Issue Date. These arrearages will not be the property of the Trust and any collections of such arrearage amounts will be paid to the advancing party. Additionally, any arrearage amounts not paid as described above will be paid out of recoveries (including collections, insurance proceeds and liquidation proceeds from the Mortgage Loans) prior to the deposit of any such recoveries into the Trust.

Upon receipt by the Master Servicer of liquidation proceeds, it will remit such liquidation proceeds (net of Servicing Advances, Delinquency Advances and any unpaid arrearages in respect of the related Mortgage Loan) to the Trust.

The Seller will make certain warranties to us with respect to each Mortgage Loan, concerning such matters as (i) the recordation of the original Mortgage, (ii) the validity of the Mortgage Loan as a first lien on the Mortgaged Property and (iii) compliance by the Mortgage Loan with applicable state and federal laws and FHA and VA guidelines, as applicable. If the Seller materially breaches any such warranty, or if there is a material defect in the Mortgage Loan documentation, we may cause the party in breach to repurchase that Mortgage Loan from the Trust at a price equal to its outstanding principal balance, plus interest at its Net Mortgage Rate. The Seller may instead, at its option, if it is the party effecting such repurchase, substitute a new Mortgage Loan for a defective Mortgage Loan. Any substitute Mortgage Loan must meet certain criteria to ensure that the substitute Mortgage Loan will not, in the aggregate, alter the general characteristics of the Mortgage Loans. No such substitution may take place more than 90 days after we issue the Certificates. We call the amount by which the Stated Principal Balance of the defective Mortgage Loan exceeds the principal balance of the substitute Mortgage Loan the “Substitution Adjustment Amount.” We will pass this amount through to Certificateholders. The Sale and Servicing Agreement will not provide for the repurchase of any Mortgage Loan due solely to delinquency.

Subject to the limitations discussed below, the Master Servicer 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.

However, the Sale and Servicing Agreement prohibits any modification that would:

- cause the Trust to fail to qualify as a REMIC under the Code,
- cause any Mortgage Loan to cease to be a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code, or
- result in the imposition of any tax on “prohibited transactions” or “contributions” as discussed under “Certain Federal Income Tax Consequences—Taxes on the REMICs.”

The Sale and Servicing Agreement will provide that the Master Servicer will service the Mortgage Loans in accordance with FHA and VA guidelines. In accordance with FHA and VA guidelines and the terms of the Sale and Servicing Agreement, the Master Servicer is permitted to make certain other modifications, such as reducing the Mortgage Interest Rate or principal amount or extending the term of a Mortgage Loan. The Master Servicer may waive any prepayment charge, assumption fee, or late payment charge, or may exercise or refrain from exercising any “call option rider.” If the Master Servicer decides to take or refrain from taking any of the actions discussed above, its decision must be consistent with the then-current policies or practices that it follows for comparable mortgage loans held in its own portfolio and the then-current policies of FHA and VA, as applicable.

In general, an FHA or VA loan may be assumed by a creditworthy purchaser of the related mortgaged property from the original borrower. For FHA loans originated prior to December 1989 and VA loans originated prior to March 1988, FHA and VA historically permitted borrowers to sell their homes subject to the existing FHA loan or VA loan, without requiring the new homeowner to assume the mortgage debt, and, in some cases, without requiring the lender to determine whether the new homeowner was creditworthy. In those instances, the original borrower is not relieved of the obligation under the Mortgage Loan.

Under the Sale and Servicing Agreement, Countrywide Servicing has the right to engage a third party to perform master servicing functions with respect to some or all of the Mortgage Loans. Any such third party must be a Fannie Mae-approved master servicer and a HUD-approved mortgagee and must be acceptable to the Rating Agencies. Notwithstanding that a third party servicer is so engaged, Countrywide Servicing will remain responsible, and continue to remain liable, for the servicing of the Mortgage Loans in accordance with the terms of the Sale and Servicing Agreement.

Certain Fannie Mae Matters

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 with respect to the Senior Certificates. Even if our other duties under the Trust Agreement should terminate, we would still be obligated under that guaranty.

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 to initiate or participate 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 initiate legal actions if we think any

such action would be in the interests of the Certificateholders. In this case, we will pay the legal expenses and costs associated with such action.

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

Events of Default

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

- if we fail to pay Certificateholders of a class any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of that class 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 any class 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 any class 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 with respect to the Senior Certificates 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. Holders of Mezzanine Certificates and Subordinate Certificates will have no right to terminate our obligations and duties unless and until the Senior Certificates have been paid in full.

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; and
- to modify the Trust Agreement to maintain the legal status of the Trust as a REMIC.

If Certificateholders who own at least 66% of each class 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 with respect to the Senior Certificates, 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 Residual Certificates give their consent, no amendment may adversely affect their rights.

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 Interest Only 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 Class balance of such Certificates.

Termination

The Trust will terminate when the last Mortgage Loan remaining in the Lower Tier REMICs has been paid off or liquidated, and the proceeds of that loan have been paid to Certificateholders. The Trust also will terminate if Countrywide Servicing exercises both of its optional clean-up calls. The purchase price for either such optional repurchase will equal the outstanding principal balance of each related Mortgage Loan that remains outstanding (plus accrued and unpaid interest at the Net Mortgage Rate).

Subject to certain conditions and limitations described in the Sale and Servicing Agreement, Countrywide Servicing may exercise the optional clean-up call with respect to the Fixed Rate Group or the ARM Group if the aggregate principal balance of the Fixed Rate Loans or ARM Loans is 5% or less of their aggregate principal balance of the Fixed Rate Loans or ARM Loans, respectively, as of the Issue Date.

If Countrywide Servicing exercises one or both of its optional clean-up calls, the Certificates of the related Loan Group or Groups will be retired. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. We will notify each affected Certificateholder in writing of the termination of the Trust Agreement, and will make the final payment to each person entitled to it.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Certificates and payments on the Certificates are not generally exempt from 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 one of the following, or other, reasons:

- 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:

- REMIC Election and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of Residual Certificates
- Taxes on the REMICs
- Reporting and Other Administrative Matters
- Tax Return Disclosure Requirements
- Backup Withholding
- Foreign Investors

REMIC Elections and Special Tax Attributes

We will elect to treat the Upper Tier REMIC, Lower Tier REMIC 1 and Lower Tier REMIC 2 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, Lower Tier REMIC 1 and Lower Tier REMIC 2 will be treated as REMICs for federal income tax purposes. The Senior, Mezzanine, and Subordinate Certificates (other than the A-R, RM 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 A-R Class will be designated as the “residual interest” in the Upper Tier REMIC. The Lower Tier 1 Regular Interests will be designated as the “regular interests,” and the RM Class will be designated as the “residual interest,” in Lower Tier REMIC 1. The Lower Tier 2 Regular Interests will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in Lower Tier REMIC 2.

Because the Upper Tier REMIC, Lower Tier REMIC 1 and Lower Tier REMIC 2 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 percent of the assets of the Lower Tier REMICs consist of “qualified mortgages,” then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the Lower Tier REMICs that are “qualified mortgages.” 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 Mortgage Loan will be a “qualified mortgage” if the Mortgage 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 REMICs will include, in addition to the Mortgage Loans, payments on the Mortgage 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 Upper Tier REMIC 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.

In addition, each beneficial owner of a Non-Senior Certificate will be required to accrue interest and original issue discount (as discussed below) with respect to that Certificate without giving effect to any reductions in payments attributable to defaults or delinquencies on the Mortgage Loans until it can be established that any such reduction ultimately will not be recoverable. As a result, the amount of taxable income reported in any period by an owner of a Non-Senior Certificate could exceed the amount of economic income actually realized by the owner in such period. Although the owner of a Non-Senior Certificate eventually will recognize a Realized Loss or a reduction in income attributable to defaults on Mortgage Loans, the law is unclear with respect to the timing and character of such Realized Loss or reduction in income. Beneficial owners of Non-Senior Certificates should consult their own tax advisors concerning the treatment of such Realized Losses or reductions in income in their specific circumstances.

Treatment of Original Issue Discount

The Interest Only Classes and the Principal Only Class will be, and certain other Classes 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 offering price to the public (excluding bond houses and brokers) 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 a Notional 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 assumptions are as follows:

- Category 1 Loans 16% of CPR
- Category 2 Loans 17% of CPR
- Category 3 Loans 17% of CPR
- Category 4 Loans 17% of CPR
- ARM Loans 20% of CPR

See "Description of the Senior and Mezzanine Certificates—Structuring Assumptions—Prepayment Assumption" 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 Certificate, increased by the aggregate amount of previously accrued OID with respect to the

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 Mortgage 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 Certificates. See “Description of the Senior and Mezzanine Certificates—Maturity Considerations and Last Scheduled Distribution Dates” 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 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 Certificate for each day it holds the Certificate. If the cost of the Certificate to the subsequent holder exceeds the adjusted issue price of the 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 Certificate, and the denominator is the sum of the daily portions of OID on the 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 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 Certificate) has market discount with respect

to the 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 percent 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 a Notional class.

The adjusted basis of a Regular Certificate generally will equal the cost of the Certificate to the beneficial owner, increased by any OID or market discount included in the beneficial owner’s gross

income with respect to the Certificate and reduced by distributions previously received by the beneficial owner of amounts included in the Certificate's stated redemption price at maturity and by any premium that has reduced the beneficial owner's interest income with respect to the 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 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 Trust by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Trust.

Taxation of Beneficial Owners of Residual Certificates

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, Lower Tier REMIC 1 and Lower Tier REMIC 2 will be the income from the "qualified mortgages" it holds and any reinvestment earnings less deductions allowed to the related REMIC. In general, a Mortgage Loan will be a "qualified mortgage" if the Mortgage 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 Residual 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 REMIC and the issuance of the Regular and Residual Certificates.
- Any gain or loss to the 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 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. Taxable income of the Upper Tier REMIC may 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 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 a 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 a Residual Certificate 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 Mortgage 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 percent 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 the 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 the 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 a 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 Senior and Mezzanine Certificates—Special Characteristics of the A-R, RM and RL Classes." A transferor of a Residual Certificate (or an agent of a transferee of the 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 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 Trust 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 Senior and Mezzanine Certificates—Special Characteristics of the A-R, RM and RL Classes" 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 Mortgage Loan 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. If in certain circumstances a tax is imposed on the REMICs, distributions on the Mezzanine or Subordinate Certificates may be reduced by the amount of such tax. Pursuant to its guaranty obligations with respect to the Senior Certificates, however, Fannie Mae will make distributions on the Senior 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 percent 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 guaranty, 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 purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the 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 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 Trust level.

Tax Return Disclosure Requirements

The Treasury Department recently issued Regulations directed at “tax shelters” that could be read to apply to transactions generally not considered to be tax shelters. These Regulations require that taxpayers that participate in a “reportable transaction” disclose such transaction on their tax returns by attaching IRS Form 8886, and retain information related to the transaction. A transaction may be a “reportable transaction” based upon any of several indicia, one or more of which may be present with respect to the Certificates. You should consult your tax advisor concerning any possible disclosure obligation with respect to your investment in the Certificates.

Backup Withholding

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

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 Trust 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 the Residual Certificate*—Treatment of Excess Inclusions.”

LEGAL INVESTMENT CONSIDERATIONS

General

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

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 Senior and Mezzanine 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 any Senior or Mezzanine Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Senior or Mezzanine Certificate.

Mezzanine Certificates

There are significant interpretive uncertainties regarding the characterization of the Mezzanine Certificates under various legal investment restrictions. Accordingly, we cannot determine whether investors that are subject to these restrictions are able to purchase Mezzanine Certificates.

We make no representations regarding:

- the characterization of the Mezzanine Certificates for legal investment or other purposes,
- whether particular investors can purchase the Mezzanine Certificates under any applicable legal investment restrictions, or
- the regulatory capital requirements that apply to the Mezzanine Certificates.

These uncertainties may impair the liquidity of the Mezzanine Certificates. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their own legal

advisors in determining whether and to what extent the Mezzanine Certificates constitute legal investments or are subject to investment, capital or other restrictions. See “Ratings” below.

SMMEA Eligibility of the IM and IIM Classes

The IM and IIM Class Certificates will constitute “mortgage related securities” for purposes of the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”) so long as they are rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization and, as such, are legal investment for certain entities to the extent provided for in SMMEA.

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

General

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.

Senior Certificates

On November 13, 1986, 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 Senior Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Senior Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Senior 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.

Mezzanine Certificates

Under current law, the purchase and holding of Mezzanine Certificates by or on behalf of any Plan may result in a prohibited transaction under ERISA and the Code and, further, may cause the assets of the Trust to be treated as assets of the Plan, so that transactions involving assets of the Trust also would be subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code. Prohibited Transaction Class Exemption 83-1 (“PTCE 83-1”)

provides an exemption for certain transactions involving the creation, maintenance and termination of certain residential mortgage pools and the acquisition and holding of certain residential mortgage pool pass-through certificates by Plans, whether or not such transactions would otherwise be prohibited under ERISA and the Code. However, because the Mezzanine Certificates evidence interests to which Realized Losses are allocated prior to any such allocation to the Senior Certificates, the Mezzanine Certificates would be considered subordinated certificates for purposes of PTCE 83-1, and would not be entitled to exemption under PTCE 83-1.

Because the acquisition and disposition of Mezzanine Certificates do not qualify for the foregoing exemption (or any similar exemption that might be available), the Trust Agreement provides that no transfer of a Mezzanine Certificate or any interest in a Mezzanine Certificate will be made to

- any Plan, or
- any person who is directly or indirectly purchasing a Mezzanine Certificate or an interest in a Mezzanine Certificate on behalf of, as named fiduciary of, as trustee of, or with assets of, a Plan (including any insurance company using funds in its general or separate account that may constitute “plan assets”),

unless the Trustee and the transfer agent are provided with a certification of facts or an opinion of counsel which establishes to the satisfaction of each that the transfer will not result in a violation of Section 406 of ERISA or Section 4975 of the Code or cause the Trustee, the transfer agent or the Master Servicer to have duties in addition to those specified in the Agreements.

In the absence of its having received the certification of facts or opinion of counsel contemplated by the preceding paragraph, the Trustee and the transfer agent shall require the prospective transferee of any Mezzanine Certificate to certify that

- it is not a Plan and
- it is not a person who is directly or indirectly purchasing the Mezzanine Certificate on behalf of, as named fiduciary of, as trustee of, or with assets of a Plan (including any insurance company using funds in its general or separate account that may constitute “plan assets”).

Such representation described above shall be deemed to have been made to the Trustee by the transferee’s acceptance of an interest in a Mezzanine Class. In the event that such representation is violated, or any attempt to transfer to a Plan or person acting on behalf of a Plan or using such Plan’s assets is attempted without such opinion of counsel, such attempted transfer or acquisition shall be void and of no effect.

Any Plan fiduciary that proposes to cause a Plan to purchase a Mezzanine Certificate should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions (with respect to the Subordinate Certificates) of ERISA and the Code.

PLAN OF DISTRIBUTION

Pursuant to the Sale and Servicing Agreement, we will acquire the Mortgage Loans from the Seller in exchange for the Certificates. The Seller has retained Countrywide Securities Corporation (the “Dealer”), which proposes to offer the Senior and Mezzanine 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 these transactions to or through other dealers.

RATINGS

We will not issue the Certificates unless Standard & Poor's, a division of The McGraw Hill Companies, Inc. and Moody's Investors Service, Inc. (the "Rating Agencies") assign the ratings specified in the following table:

<u>Class</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>
I M	AA	Aa2
I B-1	A	A2
I B-2	BBB	Baa2
II M	AA	—
II B-1	A	—
II B-2	BBB	—

The ratings that the Rating Agencies assign to mortgage pass-through certificates reflect the likelihood that certificateholders will receive all distributions to which they are entitled under the transaction. The Rating Agencies analyze the riskiness of the mortgage loans and the structure of the transaction as described in the operative documents. The ratings do not address how prepayments or recoveries on the underlying mortgage loans may affect the yields on the certificates. In particular, the ratings do not address the possibility that principal prepayments may cause certificateholders to receive a lower yield than they expect.

You should evaluate the ratings assigned to the applicable Mezzanine Classes independently of similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities. The Rating Agencies may revise or withdraw its ratings at any time.

We have not requested ratings of the Mezzanine Classes by any rating agency other than the Rating Agencies indicated above. We cannot assure you that any other rating agency will rate the Mezzanine Classes or, if it does, what ratings it would assign. If another rating agency rates the Mezzanine Classes, it could assign them lower ratings than the ratings assigned by the Rating Agencies indicated above.

LEGAL MATTERS

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

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Exhibit A

The tables below summarize certain characteristics of the Mortgage Loans in the Initial Mortgage Pool as of the Statistical Calculation Date (other than principal balances, remaining terms to maturity and mortgage loan ages, which are based on the Issue Date). The information in the tables is presented in aggregated form, on the basis of the characteristics specified in the tables, and does not reflect actual or assumed characteristics of any individual Mortgage Loan. The information in the tables does not give effect to prepayments received on the Mortgage Loans on or after the Issue Date.

Certain Assumed Characteristics of the Fixed Rate Loans

Loan Category	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") *
1	\$ 9,690,263	5.499%	5.899%	302	34
1	314,413,168	6.437	6.837	314	36
2	228,874,388	7.128	7.378	319	32
3	202,001,847	7.386	7.636	315	38
4	276,999,955	8.112	8.362	309	46

Certain Assumed Characteristics of the ARM Loans

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 Mortgage Interest Rate Margin	Weighted Average Mortgage Interest Rate Life Cap	Mortgage Interest Rate Floor	Mortgage Interest Rate Periodic Cap	Weighted Average Next Interest Adjustment Date (in Months)
\$16,074,777	5.907%	6.307%	298	62	2.637%	11.450%	2.688%	1.00%	1
19,977,514	5.644	6.044	308	52	2.654	11.327	2.693	1.00	4
14,391,795	6.158	6.558	287	71	2.618	11.650	2.684	1.00	7
15,932,483	5.976	6.376	295	65	2.626	11.488	2.683	1.00	10

* As of the Issue Date.

Exhibit B

Initial Pool Statistics — Fixed Rate Group in the Aggregate

The following tables set forth certain additional information as of the Issue Date (unless otherwise stated) with respect to the Fixed Rate Loans in the Initial Mortgage Pool on an aggregate basis. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Fixed Rate Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency

Contractual Delinquency (Days) †	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
Current	3,274	\$ 309,654,382	30.01%	7.467%	312	37	4.8	7.3
30	3,610	334,792,710	32.44	7.520	312	40	3.4	5.9
60	2,466	237,964,594	23.06	7.530	316	38	2.6	5.0
90	1,095	105,896,272	10.26	7.510	317	35	1.8	4.1
120 or more	440	43,671,664	4.23	7.721	314	41	2.3	4.5
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
0††	3	\$ 373,910	0.04%	7.281%	329	30	—	—
1	698	69,782,523	6.76	7.567	321	33	1.0	3.8
2	2,000	194,457,644	18.84	7.519	318	35	2.0	4.6
3 or more	8,184	767,365,545	74.36	7.508	312	39	4.0	6.4
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments on the Fixed Rate Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.4.

† As of the Statistical Calculation Date.

†† These loans will be excluded from the REMIC Trust to the extent they do not meet borrower payment requirements as of the Issue Date and appear in the table for statistical calculation purposes only.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months†	Balance-Weighted # of Payments Last 6 Months†
0††	4	\$ 550,462	0.05%	7.191%	338	21	1.0	—
1††	5	454,992	0.04	6.852	334	12	1.0	1.0
3	553	55,049,803	5.33	7.576	322	32	1.5	3.0
4	1,345	129,408,815	12.54	7.497	320	34	2.0	4.0
5	2,675	255,369,056	24.75	7.513	315	37	2.8	5.0
6 or more	6,303	591,146,494	57.28	7.513	311	40	4.2	7.0
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>					

* As of the Statistical Calculation Date, the balance weighted number of payments made on the Fixed Rate Loans (based on their Issue Date Principal Balances) in the last six months is approximately 5.9.

† As of the Statistical Calculation Date.

†† These loans will be excluded from the REMIC Trust to the extent they do not meet borrower payment requirements as of the Issue Date and appear in the table for statistical calculation purposes only.

Issue Date Principal Balances*

Range of Issue Date Principal Balances	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
\$0.01– 25,000.00	86	\$ 1,562,762	0.15%	7.929%	183	88
\$ 25,000.01– 50,000.00	1,043	42,723,311	4.14	7.770	278	59
\$ 50,000.01– 75,000.00	2,633	166,983,509	16.18	7.603	300	48
\$ 75,000.01–100,000.00	2,759	239,616,066	23.22	7.506	311	41
\$100,000.01–150,000.00	3,413	413,984,602	40.12	7.482	319	35
\$150,000.01–200,000.00	831	139,888,914	13.56	7.435	327	29
\$200,000.01–250,000.00	104	22,548,826	2.19	7.491	338	19
\$250,000.01–300,000.00	11	2,922,327	0.28	7.562	338	18
\$300,000.01 or more	5	1,749,304	0.17	7.604	342	17
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>			

* As of the Issue Date, the average principal balance of the Fixed Rate Loans is approximately \$94,807.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
4.501- 5.500.....	8	\$ 706,618	0.07%	5.102%	315	45
5.501- 6.000.....	91	7,999,459	0.78	5.943	297	36
6.001- 6.500.....	707	69,640,557	6.75	6.458	306	40
6.501- 7.000.....	2,508	245,756,797	23.81	6.941	316	35
7.001- 7.500.....	3,327	330,815,430	32.06	7.416	317	34
7.501- 8.000.....	2,242	206,580,378	20.02	7.891	311	42
8.001- 8.500.....	1,330	116,041,234	11.24	8.406	311	45
8.501- 9.000.....	546	45,202,709	4.38	8.875	312	45
9.001- 9.500.....	101	8,526,900	0.83	9.407	302	52
9.501-10.000.....	10	309,279	0.03	9.874	217	135
10.001-10.500.....	12	359,403	0.03	10.500	193	160
11.501-12.000.....	1	20,725	0.00	12.000	180	168
12.001-12.500.....	1	10,917	0.00	12.500	92	206
12.501-13.000.....	1	9,216	0.00	13.000	40	267
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Fixed Rate Loans is approximately 7.514%.

Remaining Term*

Range of Remaining Terms (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120.....	127	\$ 4,956,995	0.48%	7.429%	97	79
121-150.....	85	4,812,723	0.47	7.220	131	52
151-180.....	110	6,784,738	0.66	7.425	164	63
181-210.....	80	5,399,118	0.52	7.691	193	68
211-240.....	228	18,192,638	1.76	7.716	229	80
241-270.....	614	47,082,023	4.56	7.615	255	85
271-300.....	1,920	159,792,102	15.48	7.620	289	61
301-360.....	<u>7,721</u>	<u>784,959,285</u>	<u>76.06</u>	<u>7.484</u>	<u>329</u>	<u>29</u>
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Fixed Rate Loans is approximately 314 months.

Mortgage Loan Age (months) *

Range of Mortgage Loan Ages (months)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 14.....	1,661	\$ 181,884,733	17.62%	7.302%	334	9
15- 24.....	2,041	220,808,118	21.40	7.255	336	19
25- 36.....	1,544	150,219,767	14.56	8.164	327	30
37- 60.....	3,539	320,882,579	31.09	7.369	304	49
61-120.....	1,960	150,379,183	14.57	7.760	271	80
121-180.....	103	6,389,943	0.62	8.437	217	132
181-240.....	34	1,377,086	0.13	8.922	163	193
241-320.....	<u>3</u>	<u>38,214</u>	<u>0.00</u>	<u>10.114</u>	<u>70</u>	<u>276</u>
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Fixed Rate Loans is approximately 38 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
California	1355	\$ 155,530,105	15.07%	7.536%	311	42	3.6	6.1
Texas	1192	88,018,659	8.53	7.386	309	40	3.4	5.8
Maryland	582	63,243,651	6.13	7.534	311	41	3.4	6.0
Florida	794	61,463,970	5.96	7.647	308	42	3.3	5.9
Illinois	589	60,676,924	5.88	7.511	313	38	3.5	6.2
Michigan	646	57,216,045	5.54	7.827	325	30	3.4	5.8
Georgia	594	56,845,257	5.51	7.429	313	38	3.4	5.7
Arizona	447	43,833,081	4.25	7.437	325	31	3.3	5.7
Virginia	427	41,140,560	3.99	7.500	307	46	3.5	6.0
Colorado	269	35,499,087	3.44	7.459	327	28	3.4	5.7
Other	3990	368,512,282	35.71	7.491	314	38	3.4	5.8
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
FHA	8,670	\$ 807,051,120	78.20%	7.571%	317	35	3.4	5.9
VA	2,215	224,928,501	21.80	7.310	301	48	3.4	5.8
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

Bankruptcy Status

Bankruptcy Status†	Number of Mortgage Loans†	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance- Weighted # of Payments Last 3 Months†	Balance- Weighted # of Payments Last 6 Months†
Yes	691	\$ 58,741,364	5.69%	7.632%	299	54	3.3	6.2
No	10,194	973,238,257	94.31	7.507	315	37	3.4	5.9
Total	<u>10,885</u>	<u>\$1,031,979,622</u>	<u>100.00%</u>					

† As of the Statistical Calculation Date.

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\$1,068,929,101
(Approximate)



**Guaranteed REMIC
Pass-Through Certificates
REMIC Trust 2003-W4**

SENIOR SUPPLEMENT



February 12, 2003