

SUBJECT TO COMPLETION, DATED JANUARY 13, 2014

PROSPECTUS

**\$750,000,000****FANNIE MAE****CONNECTICUT AVENUE SECURITIES,****Series 2014-C01 Notes Due January 2024**

Offered Notes: The Classes of Notes shown below
 Offering Terms: The dealers (each, a "Dealer") named below are offering the Notes
 Closing Date: On or about January 27, 2014

Note Classes	Original Principal Balance	Class Coupon	CUSIP Number	Maturity Date	Expected Ratings (Fitch/Moody's)	Price to Investors	Dealer Discounts	Proceeds to Seller
M-1	\$375,000,000	(1)	30711X AC8	January 2024	BBB-sf/Baa2 (sf)	%	0.50%	%
M-2	\$375,000,000	(1)	30711X AD6	January 2024	N/A	%	0.50%	%

(1) See "Summary of Terms — Interest" herein.

You should read this Prospectus together with all documents that are incorporated by reference in this Prospectus. See "Additional Information" herein.

The Connecticut Avenue Securities, Series 2014-C01 Notes, Class M-1 and Class M-2 (the "Notes") are complex financial instruments and may not be suitable investments for you. You should consider carefully the risk factors described beginning on page 16 of this Prospectus, on page 46 of our Annual Report on Form 10-K for the year ended December 31, 2012 and on page 166 of our Quarterly Report on Form 10-Q for the period ended September 30, 2013. You should not purchase Notes unless you understand and are able to bear these and any other applicable risks. You should purchase Notes only if you understand the information contained in this Prospectus and the documents that we incorporate by reference in this Prospectus.

Because of applicable U.S. securities law exemptions, we have not registered the Notes with any U.S. federal or state securities commission. No U.S. securities commission has reviewed this Prospectus.

The Notes may be sold only to "Qualified Institutional Buyers" and upon satisfaction of certain conditions as further described in this Prospectus. See "Distribution Arrangements — Selling Restrictions" at page 113 of this Prospectus. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The Notes are obligations of Fannie Mae only having the same priority as all of Fannie Mae's other unsecured and unsubordinated debt. The Notes, including any interest or return of discount on the Notes, are not guaranteed by, and are not debts or obligations of, the United States or any agency or instrumentality of the United States other than Fannie Mae.

This Prospectus may only be used for the purposes for which it has been published.

The Index of Definitions beginning on page 117 of this Prospectus shows where definitions of certain defined terms appear in this Prospectus.

The Class M-1 and Class M-2 Notes are expected to be made eligible for trading in book-entry form through the Same-Day Funds Settlement System of The Depository Trust Company ("DTC"), which may include delivery through Clearstream Banking, société anonyme and the Euroclear System, against payment therefor in immediately available funds.

BofA Merrill Lynch
Lead Manager and Joint Bookrunner

Barclays
Co-Lead Manager and Joint Bookrunner

Credit Suisse
Co-Manager

Morgan Stanley
Co-Manager

Nomura
Co-Manager

The Williams Capital Group, L.P.
Selling Group Member

January __, 2014

THE NOTES HAVE NOT BEEN REGISTERED WITH, OR RECOMMENDED BY, ANY FEDERAL, STATE OR NON-U.S. SECURITIES COMMISSION, SECURITIES REGULATORY AUTHORITY OR INSURANCE OR OTHER REGULATORY BODY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED THIS DOCUMENT NOR CONFIRMED OR DETERMINED THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AS DESCRIBED IN THIS PROSPECTUS, THE NOTES ARE LINKED TO THE CREDIT AND PRINCIPAL PAYMENT RISK OF A CERTAIN POOL OF RESIDENTIAL MORTGAGE LOANS BUT ARE NOT BACKED OR SECURED BY SUCH MORTGAGE LOANS. THE OCCURRENCE OF 180-DAY OR MORE DELINQUENCIES ON THESE MORTGAGE LOANS AS WELL AS THE OCCURRENCE OF OTHER CREDIT EVENTS THEREON AS DESCRIBED IN THIS PROSPECTUS, COULD RESULT IN WRITE-DOWNS OF THE CLASS PRINCIPAL BALANCES OF THE NOTES. INTEREST AND PRINCIPAL PAYABLE ON THE NOTES WILL BE SOLELY THE UNSECURED OBLIGATION OF FANNIE MAE.

THIS PROSPECTUS CONTAINS SUBSTANTIAL INFORMATION ABOUT THE NOTES AND THE OBLIGATIONS OF THE ISSUER AND THE GLOBAL AGENT WITH RESPECT TO THE NOTES. POTENTIAL INVESTORS ARE URGED TO REVIEW THIS PROSPECTUS IN ITS ENTIRETY.

PROSPECTIVE PURCHASERS ARE NOT TO CONSTRUE THE CONTENTS OF THIS PROSPECTUS OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM FANNIE MAE, THE GLOBAL AGENT OR A DEALER OR ANY OF THEIR OFFICERS, EMPLOYEES OR AGENTS AS INVESTMENT, LEGAL, ACCOUNTING OR TAX ADVICE. PRIOR TO INVESTING IN THE NOTES A PROSPECTIVE PURCHASER SHOULD CONSULT WITH ITS ATTORNEY AND ITS INVESTMENT, ACCOUNTING, REGULATORY AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND ARRIVE AT AN INDEPENDENT EVALUATION OF SUCH INVESTMENT, INCLUDING THE RISKS RELATED THERETO.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE NOTES, IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH STATE OR OTHER JURISDICTION. THE DELIVERY OF THIS PROSPECTUS AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS OR THE EARLIER DATES REFERENCED HEREIN.

THE NOTES MAY BE SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS SUCH TERM IS DEFINED IN THIS PROSPECTUS) AND UPON SATISFACTION OF CERTAIN PROVISIONS OF THIS PROSPECTUS. SEE "*DISTRIBUTION ARRANGEMENTS — SELLING RESTRICTIONS*" IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS PROSPECTUS HAS BEEN PREPARED BY FANNIE MAE SOLELY FOR USE IN CONNECTION WITH THE SALE OF THE NOTES.

FANNIE MAE IS IN CONSERVATORSHIP; POTENTIAL RECEIVERSHIP

WE CONTINUE TO OPERATE UNDER THE CONSERVATORSHIP THAT COMMENCED ON SEPTEMBER 6, 2008, CONDUCTING OUR BUSINESS UNDER THE DIRECTION OF THE FEDERAL HOUSING FINANCE AGENCY ("**FHFA**") AS OUR CONSERVATOR (THE "**CONSERVATOR**"). UPON ITS APPOINTMENT, FHFA, AS CONSERVATOR, IMMEDIATELY SUCCEEDED TO ALL RIGHTS, TITLES, POWERS AND PRIVILEGES OF FANNIE MAE AND OF ANY STOCKHOLDER, OFFICER OR DIRECTOR OF FANNIE MAE WITH RESPECT TO OUR BUSINESS AND OUR ASSETS. THE CONSERVATOR HAS DIRECTED AND WILL CONTINUE TO DIRECT CERTAIN OF OUR BUSINESS ACTIVITIES AND

STRATEGIES. UNDER THE FEDERAL HOUSING FINANCE REGULATORY REFORM ACT OF 2008 (THE "**REFORM ACT**"), FHFA MUST PLACE FANNIE MAE INTO RECEIVERSHIP IF THE DIRECTOR OF FHFA MAKES A DETERMINATION IN WRITING THAT OUR ASSETS ARE, AND FOR A PERIOD OF 60 DAYS HAVE BEEN, LESS THAN OUR OBLIGATIONS. FHFA HAS NOTIFIED FANNIE MAE THAT THE MEASUREMENT PERIOD FOR ANY MANDATORY RECEIVERSHIP DETERMINATION WITH RESPECT TO OUR ASSETS AND OBLIGATIONS WOULD COMMENCE NO EARLIER THAN THE SEC PUBLIC FILING DEADLINE FOR OUR QUARTERLY OR ANNUAL FINANCIAL STATEMENTS AND WOULD CONTINUE FOR 60 CALENDAR DAYS AFTER THAT DATE. FHFA HAS ALSO ADVISED FANNIE MAE THAT, IF, DURING THAT 60-DAY PERIOD, FANNIE MAE RECEIVES FUNDS FROM TREASURY IN AN AMOUNT AT LEAST EQUAL TO THE DEFICIENCY AMOUNT UNDER THE PURCHASE AGREEMENT, THE DIRECTOR OF FHFA WILL NOT MAKE A MANDATORY RECEIVERSHIP DETERMINATION.

IN ADDITION, FANNIE MAE COULD BE PUT INTO RECEIVERSHIP AT THE DISCRETION OF THE DIRECTOR OF FHFA AT ANY TIME FOR OTHER REASONS, INCLUDING CONDITIONS THAT FHFA HAS ALREADY ASSERTED EXISTED AT THE TIME THE THEN DIRECTOR OF FHFA PLACED FANNIE MAE INTO CONSERVATORSHIP. THESE INCLUDE: A SUBSTANTIAL DISSIPATION OF ASSETS OR EARNINGS DUE TO UNSAFE OR UNSOUND PRACTICES; THE EXISTENCE OF AN UNSAFE OR UNSOUND CONDITION TO TRANSACT BUSINESS; AN INABILITY TO MEET OUR OBLIGATIONS IN THE ORDINARY COURSE OF BUSINESS; A WEAKENING OF OUR CONDITION DUE TO UNSAFE OR UNSOUND PRACTICES OR CONDITIONS; CRITICAL UNDERCAPITALIZATION; THE LIKELIHOOD OF LOSSES THAT WILL DEplete SUBSTANTIALLY ALL OF OUR CAPITAL; OR BY CONSENT. A RECEIVERSHIP WOULD TERMINATE THE CURRENT CONSERVATORSHIP.

IF FHFA WERE TO BECOME FANNIE MAE'S RECEIVER, IT COULD EXERCISE CERTAIN POWERS THAT COULD ADVERSELY AFFECT THE NOTES.

IN ITS CAPACITY AS RECEIVER, FHFA WOULD HAVE THE RIGHT TO TRANSFER OR SELL ANY ASSET OR LIABILITY OF FANNIE MAE, INCLUDING OUR OBLIGATION TO MAKE PAYMENTS ON THE NOTES, WITHOUT ANY APPROVAL, ASSIGNMENT OR CONSENT OF ANY PARTY. IF FHFA, AS RECEIVER, WERE TO TRANSFER SUCH OBLIGATION TO ANOTHER PARTY, HOLDERS OF THE NOTES WOULD HAVE TO RELY ON THAT PARTY FOR SATISFACTION OF THE OBLIGATION AND WOULD BE EXPOSED TO THE CREDIT RISK OF THAT PARTY.

DURING A RECEIVERSHIP, CERTAIN RIGHTS OF HOLDERS OF THE NOTES MAY NOT BE ENFORCEABLE AGAINST FHFA, OR ENFORCEMENT OF SUCH RIGHTS MAY BE DELAYED.

THE REFORM ACT ALSO PROVIDES THAT NO PERSON MAY EXERCISE ANY RIGHT OR POWER TO TERMINATE, ACCELERATE OR DECLARE AN EVENT OF DEFAULT UNDER CERTAIN CONTRACTS TO WHICH FANNIE MAE IS A PARTY, OR OBTAIN POSSESSION OF OR EXERCISE CONTROL OVER ANY PROPERTY OF FANNIE MAE, OR AFFECT ANY CONTRACTUAL RIGHTS OF FANNIE MAE, WITHOUT THE APPROVAL OF FHFA AS RECEIVER, FOR A PERIOD OF 90 DAYS FOLLOWING THE APPOINTMENT OF FHFA AS RECEIVER.

IMPORTANT NOTICE REGARDING THE NOTES

The Notes referred to in this Prospectus are subject to modification or revision (including the possibility that one or both Classes of Notes may be split, combined or eliminated at any time prior to issuance or availability of a final Prospectus), and the Notes are offered on a "when, as and if issued" basis. Each prospective investor understands that, when considering the purchase of the Notes, a contract of sale will come into being no sooner than the date on which the relevant Class of Notes has been priced and a confirmation of the allocation of Notes has been made to such prospective investor; any "indications of interest" expressed by a prospective investor, and any "soft circles" generated, will not create binding contractual obligations for a prospective investor, any Dealer or Fannie Mae.

Because the Notes are being offered on a "when, as and if issued" basis, any such contract will terminate, by its terms, without any further obligation or liability between us, if the Notes themselves, or the particular Class of Notes to which the contract relates, are not issued. Because the Notes are subject to modification or revision, any such

contract also is conditioned upon the understanding that no material change will occur with respect to the relevant Class of Notes prior to the Closing Date. If a material change does occur with respect to a Class of Notes being purchased, then that change will cause the termination of the contract, by its terms, with a prospective investor to purchase the related Notes without any further obligation or liability between the prospective investor and Fannie Mae (an "**Automatic Termination**"). If an Automatic Termination occurs, we will provide a prospective investor with revised offering materials reflecting the material change and give the prospective investor an opportunity to purchase the related Class of Notes. In order for a prospective investor to indicate its interest in purchasing such Class, such prospective investor must communicate to us its desire to do so within such timeframe as may be designated in connection with such prospective investor's receipt of the revised offering materials.

The information contained in these materials may be based on assumptions regarding market conditions and other matters as reflected herein. No representation is made regarding the reasonableness of such assumptions or the likelihood that any such assumptions will coincide with actual market conditions or events, and these materials should not be relied upon for such purposes. The Dealers and their respective affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this Prospectus, may from time to time have long or short positions in, and buy and sell, the securities mentioned herein or derivatives thereof (including options). In addition, the Dealers and their respective affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this Prospectus, may have an investment or commercial banking relationship with us. See "*Risk Factors — The Interests of Fannie Mae, the Dealers and Others May Conflict With and be Adverse to the Interests of the Noteholders — Potential Conflicts of Interest of the Dealers and their Affiliates*". Information in this Prospectus is current as of the date appearing on the material only. Information in this Prospectus regarding any Notes supersedes all prior information regarding such Notes. The Notes may not be suitable for all prospective investors.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "**Securities Act**"). Specifically, forward looking statements, together with related qualifying language and assumptions, are found in the material (including the tables) under the headings "*Risk Factors*" and "*Prepayment and Yield Considerations*" and in the appendices. Forward looking statements are also found in other places throughout this Prospectus, and may be identified by, among other things, accompanying language such as "expects," "intends," "anticipates," "estimates" or analogous expressions, or by qualifying language or assumptions. These statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results or performance to differ materially from that described in or implied by the forward looking statements. These risks, uncertainties and other factors include, among others, general economic and business conditions, competition, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, customer preference and various other matters, many of which are beyond Fannie Mae's control. These forward looking statements speak only as of the date of this Prospectus. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statements to reflect changes in our expectations with regard to those statements or any change in events, conditions or circumstances on which any forward looking statement is based.

FANNIE MAE

General

Fannie Mae is a government-sponsored enterprise that was chartered by Congress in 1938 to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage-backed assets are purchased and sold. The Federal National Mortgage Association Charter Act (the "**Charter Act**") does not permit us to originate loans or lend money directly to consumers in the primary mortgage market. Our most significant activity is securitizing mortgage loans originated by lenders into our mortgage-backed securities that we guarantee. We also purchase mortgage loans and mortgage-backed securities. We have been securitizing mortgage loans since 1981. We have been the largest issuer of mortgage-related securities since 1990.

We obtain funds to purchase mortgage loans and mortgage-backed assets by issuing a variety of debt securities in the domestic and international capital markets.

As discussed below, we are currently in conservatorship.

Regulation and Conservatorship

FHFA is an independent agency of the federal government with general supervisory and regulatory authority over Fannie Mae, the Federal Home Loan Mortgage Corporation ("**Freddie Mac**") and the 12 Federal Home Loan Banks. FHFA was established in July 2008, assuming the duties of our former safety and soundness regulator, the Office of Federal Housing Enterprise Oversight, and our former mission regulator, the U.S. Department of Housing and Urban Development ("**HUD**"). HUD remains our regulator with respect to fair lending matters. Our regulators also include the U.S. Securities and Exchange Commission ("**SEC**") and the U.S. Department of the Treasury ("**Treasury**").

On September 6, 2008, the Director of FHFA appointed FHFA as our conservator pursuant to its authority under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Reform Act. Upon its appointment, FHFA immediately succeeded to all of the rights, titles, powers and privileges of Fannie Mae and those of any stockholder, officer or director of Fannie Mae with respect to us and our assets. The conservatorship is a statutory process designed to preserve and conserve our assets and property and put the company in a sound and solvent condition.

The conservatorship has no specified termination date, and there continues to be uncertainty regarding the future of our company, including how long we will continue to exist, the extent of our role in the market, what form we will have, and what ownership interest in us, if any, will be held by our current common and preferred stockholders after the conservatorship is terminated. For more information on the risks to our business relating to the conservatorship and uncertainties regarding the future of our company and business, please see "*Risk Factors — Risks Relating to Fannie Mae*".

In September 2008, we, through FHFA as our conservator, entered into two agreements with Treasury. The first agreement is the senior preferred stock purchase agreement, under which we issued one million shares of senior preferred stock to Treasury and which provided us with Treasury's commitment to provide us with funding under specified conditions. The senior preferred stock purchase agreement was amended on September 26, 2008, May 6, 2009, December 24, 2009 and August 17, 2012 (as amended, the "**Senior Preferred Stock Purchase Agreement**").

While we had a positive net worth as of September 30, 2013, in some future periods we could have a net worth deficit and in such case would be required to obtain additional funding from Treasury pursuant to the senior preferred stock purchase agreement. The amount of remaining available funding under the senior preferred stock purchase agreement is \$117.6 billion as of September 30, 2013.

We generally may draw funds under the commitment on a quarterly basis when our total liabilities exceed our total assets on our consolidated balance sheet prepared in accordance with generally accepted accounting principles ("**GAAP**") as of the end of the preceding quarter. All funds drawn under the commitment are added to the liquidation preference on the senior preferred stock. Through December 31, 2012, dividend payments on the senior preferred stock were calculated by applying the annual dividend rate of 10% to the outstanding liquidation preference of the senior preferred stock.

The method for calculating dividend payments on the senior preferred stock changed on January 1, 2013. Starting on that date, the dividends payable on the senior preferred stock for a dividend period will be determined based on our net worth as of the end of the immediately preceding fiscal quarter, less an applicable capital reserve. The capital reserve is \$2.4 billion for 2014, and will decline by \$600 million per year until it reaches zero on January 1, 2018. Our net worth, for purposes of this dividend calculation, is the amount by which our total assets (with some exclusions) exceed our total liabilities (with some exclusions) as reflected on our balance sheet prepared in accordance with GAAP. If we do not have a positive net worth as of the end of a fiscal quarter, or if our net worth does not exceed the applicable capital reserve at the end of a fiscal quarter, then no dividend will accrue or be payable with regard to the senior preferred stock for the applicable dividend period.

The other agreement with Treasury is a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of our outstanding common stock (the "**Warrant**") on a fully-diluted basis. The senior preferred stock and

the Warrant were issued as an initial commitment fee for Treasury's commitment. The Senior Preferred Stock Purchase Agreement and the Warrant contain covenants that significantly restrict our operations and that are described in our Annual Report on Form 10-K for the year ended December 31, 2012.

We are dependent upon the continued support of Treasury to maintain our net worth, which avoids our being placed into receivership. Based on consideration of all of the relevant conditions and events affecting our operations, including our dependence on the U.S. Government, we continue to operate as a going concern and in accordance with our delegation of authority from FHFA. We remain liable for all of our obligations, including our payment obligations with respect to the Notes. The Senior Preferred Stock Purchase Agreement is intended to enhance our ability to meet our obligations. Noteholders have certain limited rights to bring proceedings against Treasury if we fail to fulfill our payment obligations with respect to the Notes. For a description of Noteholders' rights to proceed against Treasury, see "*Noteholders' Rights Under the Senior Preferred Stock Purchase Agreement.*"

Possibility of Future Receivership

FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations (i.e., a "net worth deficit") or if we have not been paying our debts, in either case, for a period of 60 days after the deadline for the filing with the SEC of our annual report on Form 10-K or our quarterly report on Form 10-Q, as applicable. Although Treasury committed to providing us with funds in accordance with the terms of the Senior Preferred Stock Purchase Agreement, Treasury may not provide these funds to us within the required 60 days if it has exhausted its borrowing authority or if there is a government shutdown. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons, including conditions that FHFA has already asserted existed at the time the former Director of FHFA placed us into conservatorship.

A receivership would terminate the conservatorship. The appointment of FHFA as our receiver would not only grant FHFA the powers that it currently has as our conservator but would also terminate all rights and claims that Noteholders may have against our assets or under the Charter Act arising from their status as Noteholders, other than their right to payment, resolution or other satisfaction of their claims as permitted under the Reform Act. Unlike a conservatorship, the purpose of which is to conserve our assets and return us to a sound and solvent condition, the purpose of a receivership is to liquidate our assets and resolve claims against us.

See "*Risk Factors — Risks Relating to Fannie Mae — Fannie Mae is Dependent Upon the Support of Treasury.*"

Noteholders' Rights Under the Senior Preferred Stock Purchase Agreement

Under the Senior Preferred Stock Purchase Agreement, Noteholders are given certain limited rights against Treasury if (i) we default on our payment obligations with respect to the Notes, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the conservator are not diligently pursuing remedies in respect of that failure. In that case, the holders of the affected Notes may file a claim for relief in the U.S. Court of Federal Claims, requiring Treasury to fund up to the lesser of:

- the amount necessary to cure the payment default; or
- the "available amount" under the agreement as of the last day of the immediately preceding fiscal quarter.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

THIS PROSPECTUS HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "**RELEVANT MEMBER STATE**") WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS DIRECTIVE (AS DEFINED BELOW) FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF NOTES. ACCORDINGLY ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THAT RELEVANT MEMBER STATE OF NOTES WHICH ARE THE SUBJECT OF AN OFFERING CONTEMPLATED IN THIS PROSPECTUS AS COMPLETED BY FINAL TERMS IN RELATION TO THE OFFER OF THOSE NOTES MAY ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR A DEALER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE IN RELATION TO SUCH OFFER. NONE OF THE ISSUER OR ANY OF THE DEALERS HAS AUTHORIZED, NOR DOES ANY OF THEM AUTHORIZE, THE MAKING OF ANY OFFER OF NOTES IN CIRCUMSTANCES IN WHICH AN OBLIGATION ARISES FOR THE ISSUER OR A DEALER TO PUBLISH A PROSPECTUS FOR SUCH OFFER.

FOR THE PURPOSES OF THE FOREGOING PARAGRAPH, THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EC (AND AMENDMENTS THERETO, INCLUDING THE 2010 PD AMENDING DIRECTIVE, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE), AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN THE RELEVANT MEMBER STATE, AND THE EXPRESSION "2010 PD AMENDING DIRECTIVE" MEANS DIRECTIVE 2010/73/EU.

NOTICE TO UNITED KINGDOM INVESTORS

WITHIN THE UNITED KINGDOM, THIS PROSPECTUS IS DIRECTED ONLY AT PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO QUALIFY EITHER (A) AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OR ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES)(EXEMPTIONS) ORDER 2001, OR (B) AS HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, PARTNERSHIPS OR TRUSTEES IN ACCORDANCE WITH ARTICLE 49(2) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OR ARTICLE 22(2) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES)(EXEMPTIONS) ORDER 2001 (TOGETHER, "**EXEMPT PERSONS**"). IT MAY NOT BE PASSED ON EXCEPT TO EXEMPT PERSONS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS PROSPECTUS RELATES, INCLUDING THE NOTES, IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THIS PROSPECTUS.

POTENTIAL INVESTORS IN THE UNITED KINGDOM ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UNITED KINGDOM REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE NOTES AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UNITED KINGDOM FINANCIAL SERVICES COMPENSATION SCHEME.

ADDITIONAL INFORMATION

Our common stock is registered with the SEC under the Securities Exchange Act of 1934 ("**Exchange Act**"). We file reports and other information with the SEC.

As described below, we incorporate certain documents by reference in this Prospectus, which means that we are disclosing information to you by referring you to those documents rather than by providing you with separate copies. We incorporate by reference in this Prospectus (1) our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on April 2, 2013; (2) our Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC on November 7, 2013; (3) all other reports we have filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K report, excluding any information we "furnish" to the SEC on Form 8-K; and (4) all documents that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Notes, excluding any information we "furnish" to the SEC on Form 8-K. These documents are collectively referred to as the "**Incorporated Documents**" and are considered part of this Prospectus. You should read this Prospectus in conjunction with the Incorporated Documents. Information that we incorporate by reference will automatically update information in this Prospectus. Therefore, you should rely only on the most current information provided or incorporated by reference in this Prospectus.

You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

After the Closing Date, you can obtain, without charge, copies of this Prospectus, the Incorporated Documents, the Debt Agreement to be dated as of the Closing Date among Fannie Mae and the Holders of the Notes (the "**Debt Agreement**") and the Global Agency Agreement to be dated as of the Closing Date between Fannie Mae and the Global Agent (the "**Global Agency Agreement**") from:

<p>Fannie Mae — Investor Inquiry 3900 Wisconsin Avenue, NW Washington, DC 20016-2892 Telephone: 1-888-266-3457 (202-752-7000 within the Washington, DC area)</p>

We also make these documents available on our internet website at this address: www.fanniemae.com* In addition, such documents will be made available on the internet website of the Global Agent, located as of the date hereof at www.ctslink.com.

We also make available on our internet website certain pool- and loan-level information regarding each of the mortgage loans backing our MBS, and will make available comparable information regarding the mortgage loans included in the Reference Pool, based on information furnished to us by the loan sellers and servicers of the mortgage loans. Certain pool or loan-level information provided in this Prospectus, similarly, is based upon information reported and furnished to us by loan sellers and servicers of the mortgage loans. We generally do not independently verify information furnished to us by loan sellers and servicers regarding the mortgage loans and make no representations or warranties concerning the accuracy or completeness of that information. In addition, loan sellers sometimes provide information about certain mortgage loans that they sell to us in separate additional

* We provide this and other internet addresses solely for the information of investors. We do not intend these internet addresses to be active links and we are not using references to these addresses to incorporate additional information into this Prospectus, except as specifically stated in this Prospectus.

An investor may access the Selling Guide (as defined in this Prospectus) through www.fanniemae.com by clicking on "DELIVERING" and then on the "AllRegs.com" or "Selling Guide" links found under the Selling Guide heading. An investor may access the Servicing Guide (as defined in this Prospectus) through www.fanniemae.com by clicking on "SERVICING" and then on the "AllRegs.com" or "Servicing Guide" links found under the Servicing Guide heading.

supplements ("**Additional Supplements**"). We have not verified the information in Additional Supplements and make no representations or warranties concerning the accuracy or completeness of that information.

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TRANSACTION SUMMARY

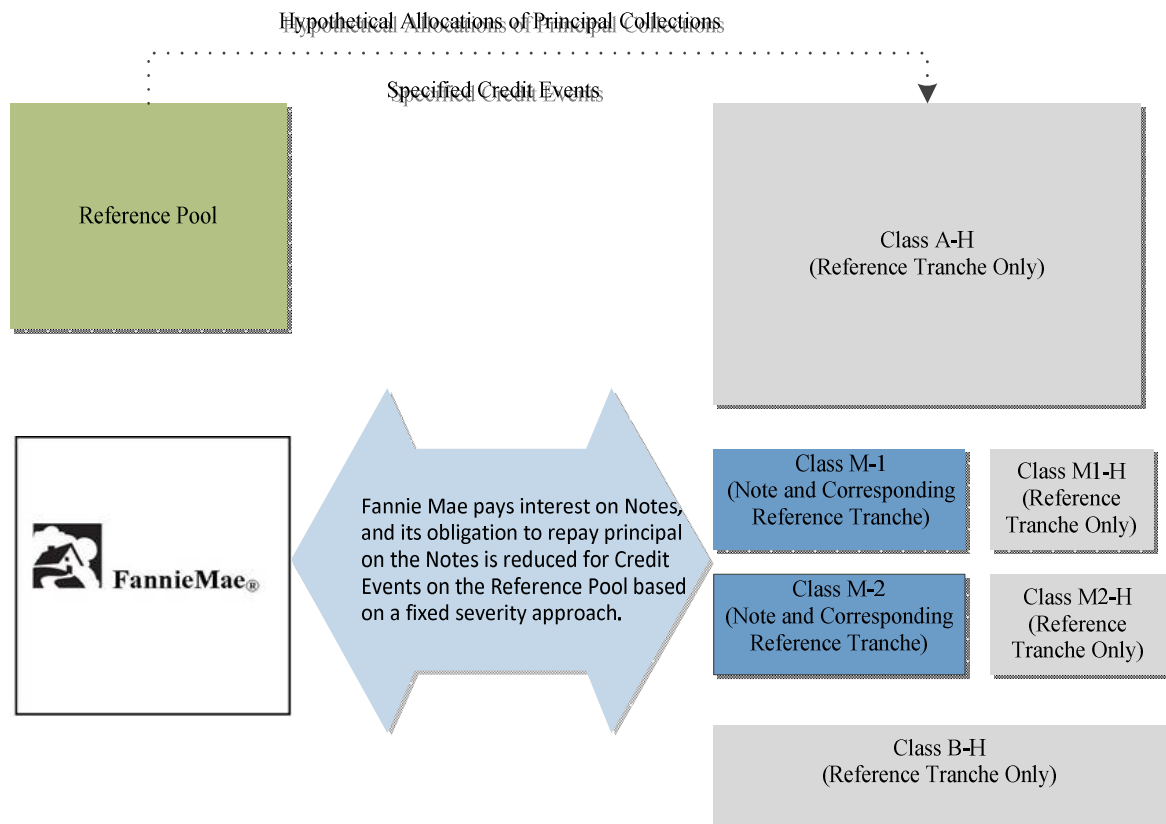
On the Closing Date, we will issue the Class M-1 and Class M-2 Notes (the "**Notes**"), which are our unsecured general obligations. The Notes are structured so that (i) interest is paid directly by us and (ii) principal is paid by us relative to the principal payments and performance of a certain pool (the "**Reference Pool**") of residential mortgage loans (the "**Reference Obligations**"), with an initial aggregate unpaid principal balance as of November 30, 2013 (the "**Cut-off Date**") of approximately \$29,308,718,890 (the "**Cut-off Date Balance**"). The Reference Obligations are evidenced by promissory notes or other similar evidences of indebtedness (each, a "**mortgage note**"), each of which is secured by a first mortgage, deed of trust or similar security instrument (each, a "**mortgage**" or "**mortgage loan**") on residential properties consisting of one- to four-family dwelling units, townhouses, individual condominium units, individual units in planned unit developments, individual cooperative units or manufactured homes (each, a "**mortgaged property**"). Each mortgage note and related mortgage loan are obligations of one or more borrowers (collectively, a "**borrower**") and require the related borrower to make monthly payments of principal and interest. The Reference Obligations were acquired by us between October 1, 2012 and December 31, 2012 and securitized into our Guaranteed Mortgage Pass-Through Certificates ("**MBS**") and meet the additional Eligibility Criteria described under "*Summary of Terms — The Reference Pool*". The Notes will be subject to write-down of their Class Principal Balances based on the occurrence of Credit Events (as defined in this Prospectus) with respect to the Reference Obligations (regardless of whether we actually suffer a loss with respect to such Credit Events) as described in this Prospectus. See "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches*". In addition, the amount of principal required to be paid by us on the Notes on each Payment Date will be based on the principal payment experience of the Reference Pool as described in this Prospectus.

For the avoidance of doubt, the Notes are not secured or backed by the Reference Pool and under no circumstances will the actual cash flow from the Reference Obligations be paid or otherwise made available to the holders of the Notes (each, a "**Holder**" or "**Noteholder**" and, collectively, the "**Holders**" or "**Noteholders**"). Interest and principal payable on the Notes will be solely the obligation of Fannie Mae. However, because the principal balances of the Notes will be subject to the Credit Events and prepayment risks related to the Reference Obligations, investors in the Notes should review and understand all the information related to the Reference Pool in this Prospectus and information otherwise made available to such investors as if they were investing in securities backed by the Reference Pool.

Solely for purposes of making the calculations for each Payment Date of any principal write-downs (or write-ups) on the Notes as a result of Credit Events (or reversals thereof) on the Reference Obligations and principal payments required to be made on the Notes by us, a hypothetical structure of six (6) classes of reference tranches (each, a "**Reference Tranche**") deemed to be backed by the Reference Pool has been established as set forth in the table below. Pursuant to the hypothetical structure, the Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches. The Class M-1 and Class M-1H Reference Tranches are *pro rata* with each other, are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2, Class M-2H and Class B-H Reference Tranches. The Class M-2 and Class M-2H Reference Tranches are *pro rata* with each other, are subordinate to the Class A-H, Class M-1 and Class M-1H Reference Tranches and are senior to the Class B-H Reference Tranche. The Class B-H Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement. Each Class of Reference Tranche will have the initial Class Notional Amount set forth in the table below and the aggregate of the initial Class Notional Amounts of all the Reference Tranches will equal the Cut-off Date Balance of the Reference Pool.

Transaction Diagram

For illustrative purposes, we describe below a hypothetical structure consisting of six Classes of Reference Tranches. The principal payments by us to the holders of the Class M-1 and Class M-2 Notes will be based on the Class Notional Amounts of the Class M-1 and Class M-2 Reference Tranches that are included in the hypothetical structure. Accordingly, principal payments on the Reference Obligations that are hypothetically allocated to the Class M-1 and Class M-2 Reference Tranches will be paid to Holders of the Class M-1 and Class M-2 Notes, respectively. Similarly, in the event the Class Notional Amounts of the Class M-1 and Class M-2 Reference Tranches are written down or increased as described herein, the Class Principal Balances of the Class M-1 and Class M-2 Notes, respectively, will also be written down or increased, as applicable.



<u>Classes of Reference Tranches</u>	<u>Initial Class Notional Amount</u>	<u>Initial Subordination⁽¹⁾</u>
Class A-H	\$28,429,457,323	3.00%
Class M-1 and Class M-1H ⁽²⁾	\$395,667,705 ⁽²⁾	1.65% ⁽³⁾
Class M-2 and Class M-2H ⁽⁴⁾	\$395,667,705 ⁽⁴⁾	0.30% ⁽⁵⁾
Class B-H	\$87,926,156	0.00%

- (1) Represents the initial subordination and initial credit enhancement of such Class or Classes of Reference Tranches, which is equal to the percentage of the Cut-off Date Balance of the Reference Pool represented by the aggregate initial Class Notional Amount of the Class or Classes of Reference Tranches subordinate to the subject Class or Classes of Reference Tranches.
- (2) Pursuant to the hypothetical structure, the Class M-1 and Class M-1H Reference Tranches are *pro rata* with each other. The initial Class Notional Amount shown is the aggregate amount for the Class M-1 and Class M-1H Reference Tranches combined. The initial Class Notional Amount of the Class M-1 Reference Tranche is \$375,000,000 (which corresponds to the initial Class Principal Balance of the Class M-1 Notes) and the initial Class Notional Amount for the Class M-1H Reference Tranche is \$20,667,705.
- (3) Represents the initial subordination and credit enhancement available to the Class M-1 and Class M-1H Reference Tranches in the aggregate.
- (4) Pursuant to the hypothetical structure, the Class M-2 and Class M-2H Reference Tranches are *pro rata* with each other. The

initial Class Notional Amount shown is the aggregate amount for the Class M-2 and Class M-2H Reference Tranches combined. The initial Class Notional Amount of the Class M-2 Reference Tranche is \$375,000,000 (which corresponds to the initial Class Principal Balance of the Class M-2 Notes) and the initial Class Notional Amount for the Class M-2H Reference Tranche is \$20,667,705.

- (5) Represents the initial subordination and credit enhancement available to the Class M-2 and Class M-2H Reference Tranches in the aggregate.

The Class M-1 Reference Tranche will correspond to the Class M-1 Notes and the Class M-2 Reference Tranche will correspond to the Class M-2 Notes. With respect to any Payment Date, any reductions in the Class Notional Amount of the Class M-1 or Class M-2 Reference Tranche, allocated pursuant to the hypothetical structure as described in this Prospectus as a result of the occurrence of Credit Events on the Reference Obligations, will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable. Similarly, with respect to any Payment Date, the amount of any principal collections on the Reference Obligations that are allocated to reduce the Class Notional Amount of the Class M-1 or Class M-2 Reference Tranche pursuant to the hypothetical structure described in this Prospectus will result in Fannie Mae being required to pay a corresponding amount of principal on such Payment Date to the Class M-1 or Class M-2 Notes, as applicable, as a result of the relationship between the Class M-1 or Class M-2 Notes on the one hand and its corresponding Class of Reference Tranche on the other hand. Investors in the Notes should review and understand all the information related to the hypothetical structure and the Reference Tranches in this Prospectus and otherwise made available to such investors as if they were investing in the Class of Reference Tranche corresponding to their Class of Notes.

The effect of the Notes being linked to the Reference Pool and the corresponding Classes of Reference Tranches established pursuant to the hypothetical structure is that Fannie Mae is transferring certain credit risk that it bears with respect to the Reference Pool to the extent that the Class Principal Balances of the Notes are subject to being written down as a result of the occurrence of Credit Events on the Reference Obligations as described in this Prospectus. Because we are not issuing any notes that correspond to the Class A-H, Class M-1H, Class M-2H and Class B-H Reference Tranches, we are effectively retaining the portion of the credit risk with respect to the Reference Pool represented by those Classes of Reference Tranches. On the Closing Date, the Class M-1H Reference Tranche will represent not less than 5% of the combined initial Class Notional Amount of the Class M-1 and Class M-1H Reference Tranches, and the Class M-2H Reference Tranche will represent not less than 5% of the combined initial Class Notional Amount of the Class M-2 and Class M-2H Reference Tranches. We do not intend, through this transaction or any subsequent transactions, to enter into agreements that (A) transfer or hedge more than a 95% *pro rata* share of the credit risk on any of (i) the Class A-H Reference Tranche, (ii) the Class M-1 and Class M-1H Reference Tranches (in aggregate) or (iii) the Class M-2 and Class M-2H Reference Tranches (in aggregate) or (B) transfer or hedge any portion of the Class B-H Reference Tranche.

SUMMARY OF TERMS

The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and related documents referred to herein. See "Index of Definitions", which appears at the end of this Prospectus. The terms "we," "us" and "our" throughout this Prospectus refer to Fannie Mae.

Title of Series	Connecticut Avenue Securities, Series 2014- C01.
Issuer	Fannie Mae, a government-sponsored enterprise chartered by Congress, is the " Issuer " of the Notes.
Global Agent	Wells Fargo Bank, N.A. (" Wells Fargo Bank ") will act as global agent (the " Global Agent ") pursuant to a global agency agreement (the " Global Agency Agreement ") entered into with Fannie Mae. See " <i>The Agreements — The Global Agency Agreement</i> ".
Notes	Class M-1 Notes and Class M-2 Notes (the " Notes ").
Classes	Class A-H, Class M-1, Class M-1H, Class M-2, Class M-2H and Class B-H, as applicable (each, a " Class " and together, the " Classes ").
Class Principal Balance	The " Class Principal Balance " of each Class of Notes as of any Payment Date is the maximum dollar amount of principal to which the Holders of such Class of Notes are then entitled, with such amount being equal to the initial Class Principal Balance of such Class of Notes, <i>minus</i> the aggregate amount of principal paid by Fannie Mae on such Class of Notes on such Payment Date and all prior Payment Dates, <i>minus</i> the aggregate amount of Calculated Tranche Write-down Amounts allocated to reduce the Class Principal Balance of such Class of Notes on such Payment Date and on all prior Payment Dates, and <i>plus</i> the aggregate amount of Calculated Tranche Write-up Amounts allocated to increase the Class Principal Balance of such Class of Notes on such Payment Date and on all prior Payment Dates. The Class Principal Balance of each Class of Notes will at all times equal the Class Notional Amount of the Reference Tranche that corresponds to such Class of Notes. For the avoidance of doubt, no Calculated Tranche Write-up Amount or Calculated Tranche Write-down Amount will be applied twice on the same Payment Date.
Payment Date	Payments on the Notes will be made by the Global Agent on the twenty-fifth (25 th) day of each month (or, if such day is not a Business Day, then on the next succeeding Business Day) beginning in February 2014 (each, a " Payment Date ").
Closing Date	On or about January 27, 2014 (the " Closing Date ").
Record Date	The Business Day immediately preceding a Payment Date, with respect to Book-Entry Notes, and the last

Maturity Date	<p>Business Day of the month preceding a Payment Date, with respect to Definitive Notes (the "Record Date").</p> <p>The maturity date for the Notes will be the Payment Date in January 2024 (the "Maturity Date").</p>
Early Redemption Option	<p>We may redeem the Notes prior to the Maturity Date on any Payment Date on or after the Payment Date on which the aggregate unpaid principal balance of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance of the Reference Obligations, by paying an amount equal to the outstanding Class Principal Balance of each Class of Notes, plus accrued and unpaid interest and any unpaid fees and expenses of the Global Agent (the "Early Redemption Option"). See "<i>Description of the Notes — Early Redemption Option</i>".</p>
Termination Date	<p>This transaction will terminate and the Notes will no longer be outstanding upon the date (the "Termination Date") which is the earlier of:</p> <ol style="list-style-type: none"> (1) the Maturity Date; (2) the Payment Date (the "Early Redemption Date") on which the Notes are redeemed by us pursuant to our Early Redemption Option as described under "<i>Description of the Notes — Early Redemption Option</i>"; and (3) the Payment Date on which the initial Class Principal Balance (without giving effect to any allocations of Calculated Tranche Write-down Amounts or Calculated Tranche Write-up Amounts on such Payment Date and all prior Payment Dates) and accrued and unpaid interest due on the Class M-1 and Class M-2 Notes have been paid in full.
Legal Status	<p>The Notes are unsecured general obligations having the same priority as all of our other unsecured and unsubordinated debt. The United States does not guarantee the Notes or any interest or return of discount on the Notes. The Notes are not debts or obligations of the United States or any agency or instrumentality of the United States other than Fannie Mae.</p>
Form of Notes	<p>The Notes will be issued on the Closing Date as book-entry Notes (the "Book-Entry Notes") and will be held through the book-entry system of the DTC, and, as applicable, Euroclear and Clearstream. The Notes will be available in fully-registered form ("Definitive Note") only in the limited circumstances disclosed under "<i>Description of the Notes — Form, Registration and Transfer of the Notes</i>".</p>

Hypothetical Structure	Solely for purposes of making the calculations for each Payment Date of any principal write-downs (or write-ups) on the Notes as a result of Credit Events (or reversals thereof) on the Reference Obligations and principal payments required to be made on the Notes by Fannie Mae, a hypothetical structure of six (6) classes of Reference Tranches deemed to be backed by the Reference Pool has been established as set forth in the table under " <i>Transaction Summary</i> " above. The calculations with respect to the Reference Tranches will be based on the Credit Event and principal payment experience of the Reference Pool and the hypothetical structure as described in this Prospectus. See " <i>Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches</i> ".
Reference Tranches	Solely for purposes of making the calculations for each Payment Date of any principal write-downs (or write-ups) on the Notes as a result of Credit Events (or reversals thereof) on the Reference Obligations and principal payments required to be made on the Notes by Fannie Mae, a hypothetical structure of six (6) classes of reference tranches (each, a " Reference Tranche ") deemed to be backed by the Reference Pool has been established as set forth in the table under " <i>Transaction Summary</i> " above. The Reference Tranches are the Class A-H, Class M-1, Class M-1H, Class M-2, Class M-2H and Class B-H Reference Tranches. See " <i>Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches</i> ".
Corresponding Classes of Reference Tranches	With respect to the Class M-1 Notes, the Class M-1 Reference Tranche. With respect to the Class M-2 Notes, the Class M-2 Reference Tranche.
Corresponding Classes of Notes	With respect to the Class M-1 Reference Tranche, the Class M-1 Notes. With respect to the Class M-2 Reference Tranche, the Class M-2 Notes.
Senior Reference Tranche	The Class A-H Reference Tranche (the " Senior Reference Tranche ").
Mezzanine Reference Tranches	The Class M-1, Class M-1H, Class M-2 and Class M-2H Reference Tranches (each, a " Mezzanine Reference Tranche ").
Junior Reference Tranche	The Class B-H Reference Tranche (the " Junior Reference Tranche ").
Reporting Period for Hypothetical Structure	For any Payment Date and for purposes of making calculations with respect to the hypothetical structure and the Reference Tranches, the reporting period (each, a " Reporting Period ") will be the second calendar month preceding the month of such Payment Date. For any Payment Date, the delinquency status of each Reference Obligation will be determined as of close of business on the last day of the related Reporting Period. For example,

the Reporting Period for a February Payment Date is the preceding December, and determinations of the delinquency status of the Reference Obligations relative to the February Payment Date are made as of the preceding December 31.

Certain Relationships and Affiliations

We are the Issuer of the Notes offered in this transaction. Further, we guarantee the MBS that are backed by the Reference Obligations. These roles and our relationships with the related loan sellers/servicers may give rise to conflicts of interest as further described in this Prospectus under "*Risk Factors — The Interests of Fannie Mae, the Dealers and Others May Conflict With and be Adverse to the Interests of the Noteholders — Interests of Fannie Mae May Not Be Aligned With the Interests of the Noteholders*". In addition, Wells Fargo Bank, N.A., which acts as the Global Agent, may, in its separate capacities as originator, loan seller and servicer with respect to certain of the Reference Obligations, have interests that are adverse to Noteholders. See "*Risk Factors — The Interests of Fannie Mae, the Dealers and Others May Conflict With and be Adverse to the Interests of the Noteholders — Potential Conflicts of Interest of the Global Agent*". Moreover, the activities of the Dealers and their respective affiliates may result in certain conflicts of interest. See "*Risk Factors — The Interests of Fannie Mae, the Dealers and Others May Conflict With and be Adverse to the Interests of the Noteholders — Potential Conflicts of Interest of the Dealers and their Affiliates*".

Interest

The Notes bear interest at the applicable per annum interest rate (each, a "**Class Coupon**") shown in the following table. The initial Class Coupons apply only to the first Accrual Period. We determine One-Month LIBOR using the BBA Method as described under "*Description of the Notes — Interest*".

<u>Classes of Notes</u>	<u>Initial Class Coupon</u>	<u>Class Coupon Formula</u>
M-1	[]%	One-Month LIBOR + []%
M-2	[]%	One-Month LIBOR + []%

The "**Accrual Period**" with respect to each Payment Date is the period beginning on and including the prior Payment Date (or, in the case of the first Payment Date, the Closing Date) and ending on and including the day preceding such Payment Date.

The amount of interest that will accrue on a given Class of Notes during each Accrual Period is equal to:

- the Class Coupon for such Class of Notes for such period (calculated using the Class Coupon formula as described above), multiplied by
- the Class Principal Balance of such Class of Notes immediately prior to such Payment Date, multiplied by
- the actual number of days in the related Accrual Period, divided by
- 360.

See "*Description of the Notes — Interest*".

There will be no calculation of interest made with respect to any of the Reference Tranches.

Principal

On the Maturity Date or, if we exercise our Early Redemption Option, the final Payment Date applicable in connection therewith, we will pay 100% of the then outstanding Class Principal Balance for each Class of Notes after allocation of the Calculated Tranche Write-up Amounts and Calculated Tranche Write-down Amounts for such Payment Date. On all other Payment Dates, we will pay principal on each Class of Notes in an amount equal to the portion of the Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to reduce the Class Notional Amount of the corresponding Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Description of the Notes — Hypothetical Structure and*

Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount".

Reductions in Class Principal Balances of the Notes Due to Allocation of Calculated Tranche Write-down Amounts

On each Payment Date, including the Maturity Date, the Class Principal Balance of each Class of Notes will be reduced, without any corresponding payment of principal, by the amount of the reduction, if any, in the Class Notional Amount of the corresponding Class of Reference Tranche due to the allocation of Calculated Tranche Write-down Amounts to such Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-down Amounts*".

Increases in Class Principal Balances of the Notes Due to Allocation of Calculated Tranche Write-up Amounts

On each Payment Date, including the Maturity Date, the Class Principal Balance of each Class of Notes will be increased by the amount of the increase, if any, in the Class Notional Amount of the corresponding Class of Reference Tranche due to the allocation of Calculated Tranche Write-up Amounts to such Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-up Amounts*". For the avoidance of doubt, through the Maturity Date, a Calculated Tranche Write-up Amount may be applied to any Class of Reference Tranche whose Class Notional Amount has previously been reduced to zero (until the cumulative Calculated Tranche Write-up Amount allocated to such Class is equal to the cumulative Calculated Tranche Write-down Amount previously allocated to such Class).

Hypothetical Structure and Calculations with Respect to the Reference Tranches

Solely for purposes of making the calculations for each Payment Date of any principal write-downs (or write-ups) on the Notes as a result of Credit Events (or reversals thereof) on the Reference Obligations and principal payments required to be made on the Notes by us, a hypothetical structure of six (6) classes of Reference Tranches (the Class A-H, Class M-1, Class M-1H, Class M-2, Class M-2H and Class B-H Reference Tranches) deemed to be backed by the Reference Pool has been established as indicated in the table set forth under "*Transaction Summary*" above. Pursuant to the hypothetical structure, the Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches. The Class M-1 and Class M-1H Reference Tranches are *pro rata* with each other, are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2, Class M-2H and Class B-H Reference Tranches. The Class M-2 and Class M-2H Reference Tranches are *pro rata* with each other, are subordinate to the Class A-H, Class M-1 and Class M-1H Reference Tranches and are senior to the Class B-H Reference Tranche. The Class B-H Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement. Each Class of Reference Tranche will have an initial Class Notional Amount indicated in the table set forth under "*Transaction Summary*" above and the aggregate of the initial Class Notional Amounts of all the Reference Tranches will equal the Cut-off Date Balance of the Reference Pool.

The "**Class Notional Amount**" of each Class of Reference Tranche as of any Payment Date is a notional amount equal to the initial Class Notional Amount of such Class of Reference Tranche, *minus* the aggregate amount of Senior Reduction Amounts and/or Subordinate Reduction Amounts allocated to such Class of Reference Tranche on such Payment Date and all prior Payment Dates, *minus* the aggregate amount of Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of such Class of Reference Tranche on such Payment Date and on all prior Payment Dates, and *plus* the aggregate amount of Calculated Tranche Write-up Amounts allocated to increase the Class Notional Amount of such Class of Reference Tranche on such Payment Date and on all prior Payment Dates. For the avoidance of doubt, no Calculated Tranche Write-up Amount or Calculated Tranche Write-down Amount will be applied twice on the same Payment Date.

Allocation of Senior Reduction Amount and Subordinate Reduction Amount

On each Payment Date on or prior to the Termination Date, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class A-H Reference Tranche,
- (ii) *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iii) *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and
- (iv) *fourth*, to the Class B-H Reference Tranche.

For the definition of Senior Reduction Amount, see "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*".

On each Payment Date on or prior to the Termination Date, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (ii) *second*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iii) *third*, to the Class B-H Reference Tranche, and
- (iv) *fourth*, to the Class A-H Reference Tranche.

For the definition of Subordinate Reduction Amount, see "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*".

Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Senior Reduction Amount or Subordinate Reduction Amount, as applicable, allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a requirement of Fannie Mae to make a corresponding payment of principal to Class M-1 or Class M-2 Notes, as applicable.

See "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*".

Allocation of Calculated Tranche Write-down Amounts

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount and Subordinate Reduction Amount, the Calculated Tranche Write-down Amount, if any, for such Payment Date, will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class B-H Reference Tranche,
- (ii) *second*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts,

(iii) *third*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts, and

(iv) *fourth*, to the Class A-H Reference Tranche.

Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Calculated Tranche Write-down Amounts allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable.

See "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-down Amounts*".

Allocation of Calculated Tranche Write-up Amounts

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount, Subordinate Reduction Amount and Calculated Tranche Write-down Amounts, the Calculated Tranche Write-up Amount, if any, for such Payment Date will be allocated to increase the Class Notional Amount of each Class of Reference Tranche in the following order of priority until the cumulative Calculated Tranche Write-up Amount allocated to each such Class of Reference Tranche is equal to the cumulative Calculated Tranche Write-down Amount previously allocated to such Class of Reference Tranche on or prior to such Payment Date:

(i) *first*, to the Class A-H Reference Tranche,

(ii) *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts,

(iii) *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts, and

(iv) *fourth*, to the Class B-H Reference Tranche.

Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Calculated Tranche Write-up Amounts allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a corresponding increase in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable.

See "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-up Amounts*".

The Reference Pool

The Reference Pool will consist of the Reference Obligations, which are mortgage loans that meet the Eligibility Criteria.

The "**Eligibility Criteria**" to be satisfied with respect to each mortgage loan included as a Reference Obligation in the Reference Pool are as follows:

(a) is a fully amortizing, fixed rate, first-lien mortgage loan secured by a one- to four-family dwelling unit, townhouse, individual condominium unit, individual unit in planned unit development, individual cooperative unit or manufactured home, with an original term of 301 to 360 months;

(b) was acquired by us between October 1, 2012 and December 31, 2012;

(c) has an original loan-to-value ratio that is (i) greater than 60% and (ii) equal to or less than 80%;

(d) has never been 30 or more days delinquent from the date of acquisition to the Cut-off Date;

- (e) was not originated under our Refi Plus program (which includes but is not limited to the Home Affordable Refinance Program ("HARP"));
- (f) has an original combined loan-to-value ratio that is less than or equal to 97%;
- (g) as of the Cut-off Date, is not subject to an Origination Rep and Warranty Settlement;
- (h) is not covered by mortgage or pool insurance;
- (i) is not subject to any form of risk sharing with the loan seller (other than limited seller indemnification in certain cases);
- (j) was not originated under certain non-standard programs; and
- (k) is a conventional loan (i.e. is not guaranteed by the Federal Housing Administration ("FHA") or the U.S. Department of Veterans Affairs ("VA")).

We expect the Reference Obligations to have the approximate characteristics set forth below as of the Cut-off Date. Whenever reference is made in this Prospectus to the characteristics of the Reference Obligations or to a percentage of the Reference Obligations, unless otherwise noted, that reference is based on the Cut-off Date Balance.

The figures below are approximate and may not correspond exactly to the related figures in [Appendix A](#) to this Prospectus due to rounding differences.

Selected Reference Obligation Data as of the Cut-off Date

	<u>Range or Total</u>	<u>Average or Weighted Average</u>
Number of Reference Obligations	122,291	
Aggregate Original Principal Balance	\$30,060,523,000	
Original Principal Balance	\$13,000 to \$1,185,000	\$245,811
Cut-off Date Balance	\$29,308,718,890	
Unpaid Principal Balance.....	\$5,180 to 1,160,547	\$239,664
Gross Mortgage Rate	2.500% to 5.750%	3.639%
Remaining Term to Stated Maturity (months)	290 to 350 months	348 months
Original Term (months)	302 to 360 months	360 months
Loan Age (months)	10 to 16 months	12 months
Original Loan-to-Value Ratio	61.00% to 80.00%	74.53%
Original Combined Loan-to-Value Ratio.....	61.00% to 97.00%	75.53%
Debt-to-Income Ratio	0.19% to 50.00%	31.53%
Credit Score	620 to 835	765
Latest Maturity Date	1/1/2043	

Top Five Geographic Concentration of Mortgaged Properties By State

California.....	30.01%
Texas.....	5.28%
Colorado.....	3.91%
Washington	3.86%
Virginia.....	3.75%

Top Five Geographic Concentration of Mortgaged Properties By Zip Code

94582	0.21%
94568	0.19%
90278	0.18%
92127	0.17%
92677	0.16%

The characteristics of the Reference Pool will change from time to time to reflect subsequent payments, prepayments and Credit Events with respect to the Reference Obligations. In addition, the characteristics of the Reference Pool may change after the issuance of the Notes to reflect the removal of Reference Obligations (any such removal, a "**Reference Pool Removal**") from the Reference Pool upon the occurrence of any of the following: (i) the Reference Obligation becomes a Credit Event Reference Obligation; (ii) the Reference Obligation is paid in full; (iii) the Reference Obligation is seized pursuant to an eminent domain proceeding with respect to the underlying mortgage loan; (iv) the related loan seller or servicer repurchases the Reference Obligation, enters into a full indemnification agreement with Fannie Mae with respect to the Reference Obligation or provides a make-whole payment with respect to the Reference Obligation; (v) Fannie Mae determines that the Reference Obligation does not meet certain Eligibility Criteria as the result of a data correction; or (vi) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation declares bankruptcy or is put into receivership after Fannie Mae has requested that it repurchase such Reference Obligation. A Reference Obligation that undergoes a temporary or permanent modification will not be removed from the Reference Pool if it does not otherwise meet any of the criteria for a Reference Pool Removal set forth in the prior sentence. For the avoidance of doubt, Fannie Mae will not request the repurchase of any Reference Obligation with minor technical violations, minor data corrections or minor missing documentation if Fannie Mae determines that the Reference Obligation otherwise satisfies Fannie Mae's eligibility and underwriting criteria. When a Reference Obligation becomes subject to a Reference Pool Removal (except in the case of clause (i) above), the unpaid principal balance of such Reference Obligation will be allocated to the Reference Tranches as **Unscheduled Principal**.

Reference Obligations will be removed from the Reference Pool if a data change occurs that causes a Reference Obligation to no longer meet one or more of the criteria set forth in clauses (a), (c), (f), (h) or (i) of the definition of Eligibility Criteria.

See "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" for a description of how Reference Pool Removals impact the Notes. See "*Loan Acquisition Practices — Quality Control*" for a description of how defects or deficiencies with respect to a Reference Obligation may be discovered through our quality control process.

As changes to the Reference Pool occur, they may materially alter the Reference Pool characteristics shown above and the weighted average lives and yields to maturity of the Notes.

Additional information on the Reference Pool appears under "*The Reference Obligations*" and Exhibit A.

Prepayment and Yield Considerations

The yield to maturity on the Notes will also be sensitive to the rate and timing of principal payments (which will be affected by prepayments, removals of Reference Obligations from the Reference Pool, and Credit Events on the Reference Obligations). As a result, the yield on Notes may fluctuate significantly:

- In general, if investors purchased Notes at a premium and principal payments occur at a rate faster than such investors assumed, such investors' actual yield to maturity will be lower than anticipated and such investors may not recover their entire investment in the Notes.

- Conversely, if investors purchased Notes at a discount, and principal payments occur at a rate slower than such investors assumed, such investors' actual yield to maturity will be lower than anticipated.

The yield to maturity on the Notes will be sensitive to changes in the rate of One-Month LIBOR. In addition, the yield to maturity of the Notes will be increasingly sensitive to the level and timing of Credit Events on the Reference Obligations because the aggregate amount of all Calculated Tranche Write-down Amounts are allocated *first*, to reduce the Class Notional Amount of the Class B-H Reference Tranche to zero; *second*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata* based on their Class Notional Amounts; *third*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata* based on their Class Notional Amount; and, *fourth*, to the Class A-H Reference Tranche. Any such Calculated Tranche Write-down Amounts will be allocated, in the case of each Class, after allocation of the Senior Reduction Amount and Subordinate Reduction Amount. Any such Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of the Class M-1 or Class M-2 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable, in each case, until the aggregate Calculated Tranche Write-down Amounts allocated to each such Class of Reference Tranche reduces its Class Notional Amount to zero. As such, because the Class M-2 Reference Tranche is subordinate to the Class M-1 Reference Tranche, the Class M-2 Notes will be more sensitive than the Class M-1 Notes to Calculated Tranche Write-down Amounts after the Class Notional Amount of the Class B-H Reference Tranche is reduced to zero.

Because the Reference Obligations may be prepaid by the borrowers without penalty at any time, it is not possible to predict the exact rate at which investors will receive payments of principal.

See "*Prepayment and Yield Considerations*".

United States Federal Tax Consequences

We will receive an opinion from Hunton & Williams LLP that, although the matter is not free from doubt, each Class of Notes will be treated as indebtedness for U.S. federal income tax purposes. We and each Holder and beneficial owner of a Note, by acceptance of such Note, will agree to treat such Note as indebtedness of Fannie Mae for all U.S. federal income tax purposes. See "*Certain United States Federal Tax Consequences*" in this Prospectus for additional information.

Legal Investment

Investors may be subject to restrictions on investment in the Notes to the extent that their investment activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities. Prospective investors should consult their legal, tax and accounting advisers for assistance in determining the suitability of and consequences to them of the purchase, ownership and sale of the Notes.

- Prospective investors should be aware that the Notes do not represent an interest in and are not secured by the Reference Pool or any Reference Obligation.
- The Notes will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended ("**SMMEA**").

See "*Legal Investment*" in this Prospectus for additional information.

ERISA Considerations

Fiduciaries or other persons acting on behalf of or using the assets of (i) any employee benefit plan or other arrangement, including an individual retirement account (an "**IRA**"), subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), or any foreign, United States federal, state or local law which is similar to ERISA or Section 4975 of the Code (each, a "**Similar Law**") or (ii) an entity which is deemed to hold the assets of such plan or arrangement (each, a "**Plan**"), should carefully review with their legal advisors whether the purchase, holding or disposition of a Note could give rise to a transaction prohibited or not otherwise permissible under ERISA, the Code or Similar Law.

Subject to the considerations and conditions described under "*Certain ERISA Considerations*" in this Prospectus, it is expected that the Notes may be acquired by Plans or persons acting on behalf of, using the assets of or deemed to hold the assets of a Plan. See "*Certain ERISA Considerations*" in this Prospectus.

Rating of the Class M-1 Notes

We have engaged Fitch Inc., d/b/a Fitch Ratings ("**Fitch**") and Moody's Investors Service ("**Moody's**"), each a nationally recognized statistical rating organization ("**NRSRO**") as defined in Section 3(a)(62) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to rate the Class M-1 Notes. The Class M-1 Notes are expected to receive a rating of at least BBB-sf from Fitch and at least Baa2 (sf) from Moody's on the Closing Date. Fitch and Moody's each will monitor its rating using its normal surveillance procedures and may change or withdraw its assigned rating at any time. No transaction party will be responsible for monitoring any changes to the ratings on the Class M-1 Notes.

The ratings address the likelihood of the timely receipt of payments of interest to which the Holders of the Class M-1 Notes are entitled and the ultimate payment of principal by the Maturity Date. The ratings of the Class M-1 Notes should be evaluated independently from similar ratings on other types of securities. The ratings are not a recommendation to buy, sell or hold the Class M-1 Notes and may be subject to revision or withdrawal at any time by the engaged NRSROs.

In addition, these ratings do not address:

- the likelihood, timing, or frequency of prepayments (both voluntary and involuntary) on the Reference Obligations and their impact on interest payments or the degree to which such prepayments might differ from those originally anticipated;
- the possibility that a Noteholder might suffer a lower than anticipated yield;
- the tax treatment of the Class M-1 Notes or the effect of taxes on the payments received;
- the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce, or hold enforceable, the documents in whole or in part;
- an assessment of the yield to maturity that investors may experience; or
- other non-credit risks, including, without limitation, market risks or liquidity.

The ratings take into consideration certain credit risks with respect to the Reference Obligations. However, as noted above, the ratings do not represent an assessment of the likelihood, timing or frequency of principal prepayments (both voluntary and involuntary) on the Reference Obligations, or the degree to which such prepayments might differ from those originally anticipated. In general, the ratings address credit risk and not prepayment risk.

Other NRSROs that we have not engaged to rate the Class M-1 Notes may issue unsolicited credit ratings on one or more classes of the Notes. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from the ratings assigned by the engaged NRSROs and, if lower than the engaged NRSROs, whether such unsolicited ratings will have an adverse impact on the liquidity, market value and regulatory characteristics of such Notes. Further, a determination by the SEC that either or both of the engaged NRSROs no longer qualifies as an NRSRO or is no longer qualified to rate the Class M-1 Notes, could adversely impact the liquidity, market value and regulatory characteristics of the Class M-1 Notes.

See "*Risk Factors—Investment Factors and Risks Related to the Notes—A Reduction, Withdrawal or Qualification of the Ratings on the Class M-1 Notes, or the Issuance of an Unsolicited Rating On the Class M-1 Notes, May Adversely Affect the Market Value of Those Notes and/or Limit an Investor's Ability to Resell Those Notes,*" "*The Ratings on the Class M-1 Notes May Not Reflect All Risks*" and "*Rating of the Notes*" in this Prospectus for more information regarding the ratings.

We have not engaged a NRSRO to rate the Class M-2 Notes on the Closing Date and we have no obligation to do so in the future. The absence of a rating on the Class M-2 Notes may adversely affect the ability of an investor to purchase, finance or retain, or may otherwise impact the liquidity, market value and regulatory characteristics of, the Class M -2 Notes. See "*Risk Factors—Investment Factors and Risks Related to the Notes—The Class M-2 Notes Will Not Be Rated by any Engaged NRSRO on the Closing Date*" in this Prospectus.

RISK FACTORS

General

We have listed below some of the principal risk factors associated with an investment in the Notes. The risk factors relating to us include risks that may affect an investment in and the value of the Notes. You should review all of these risk factors before investing in the Notes. Because each investor has different investment needs and a different risk tolerance, each investor should consult its own financial or legal advisor to determine whether the Notes are a suitable investment. In particular, prospective investors in the Notes should be aware that:

- The risks and uncertainties described below are not the only ones relating to the Notes. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial may also impair an investment in the Notes. If any of the following risks actually occur, an investment in the Notes could be materially and adversely affected.
- This Prospectus contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus.
- Prospective investors should investigate any legal investment restrictions that may apply to them.
- The Notes are our corporate obligations and are not secured by the Reference Obligations, the mortgaged properties or the borrowers' payments under the Reference Obligations. Investors in the Notes will be our general creditors and will be subject to the risk that we will be unable to meet our obligation to pay the principal and interest of the Notes according to their terms.
- The Notes will not constitute "mortgage related securities" for purposes of SMMEA, and the Notes may be regarded as high-risk, derivative, risk-linked or otherwise complex securities. The Notes should not be purchased by prospective investors who are prohibited from acquiring securities having the foregoing characteristics.
- The Notes are not suitable investments for all prospective investors. The Notes are complex financial instruments. Because the Notes are linked to the Reference Pool and the Class M-1 and Class M-2 Reference Tranches established pursuant to the hypothetical structure described in this Prospectus, prospective investors should not purchase any Note unless they or their financial advisors possess the necessary expertise, tools and metrics to analyze the potential risks of the Notes being offered and the information contained in this Prospectus and the documents incorporated by reference.
- Prospective investors should not purchase any Notes unless they understand, and are able to bear, the prepayment, credit, liquidity, market and other risks associated with the Notes.
- Prospective investors should not construe the issuance of the Notes as an endorsement by us of the performance of the Reference Obligations.

Investors should exercise particular caution if their circumstances do not permit them to hold the Notes until maturity.

Risks Relating to the Notes Being Linked to the Reference Pool

The Notes Bear the Risk of Credit Events on the Reference Pool

In addition to the risk of nonpayment by us of principal or interest on the Notes, the performance of the Notes will also be affected by the Credit Event experience of the Reference Obligations. The Notes are not backed by the Reference Obligations and payments on the Reference Obligations will not be available to make payments on the Notes. However, each Class of Notes will have credit exposure to the Reference Obligations, and, assuming payments are made by us as described herein, the yield to maturity on the Notes will be directly related to the amount and timing of Credit Events on the Reference Obligations, any prepayments by the borrowers of the

Reference Obligations, and any removals of Reference Obligations from the Reference Pool due to eminent domain proceedings involving the seizure of any such Reference Obligation. In the event that Credit Events result in the reduction of the Class Principal Balance of the Class M-1 or Class M-2 Notes, investors in each affected Class will incur a loss of some and possibly all of their investments in the related Notes.

A Credit Event may occur due to one or more of a wide variety of factors, including a decline in real estate values, and adverse changes in a borrower's financial condition and a borrower's employment. A decline in real estate values or economic conditions nationally or in the regions where the related mortgaged properties are concentrated may increase the risk of Credit Events on the Reference Obligations. In addition, Reference Obligations secured by second homes and investment properties may have a higher risk of being subject to a Credit Event than those secured by primary residences.

Following a Credit Event with respect to a Reference Obligation, pursuant to the hypothetical structure, a Calculated Tranche Write-down Amount will be applied to reduce the Class Notional Amount of the most subordinate Class of Reference Tranche that still has a Class Notional Amount greater than zero. Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Calculated Tranche Write-down Amount allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable. Any such reductions in Class Principal Balance will result in a loss of all or a portion of the investor's investment in the Notes. Calculated Tranche Write-down Amounts are not contingent on an actual loss being incurred by us on the related Credit Event Reference Obligations. Rather, Calculated Tranche Write-down Amounts are determined based on a formula that is determined by calculating the product of the Applicable Severity and the Net Credit Event Amount. See "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-down Amounts*". This could result in the Calculated Tranche Write-down Amount allocated to reduce the Class Principal Balance of the Notes on any given Payment Date being greater than the amount of losses we actually realize with respect to the related Credit Event Reference Obligations. Because the Class M-2 Reference Tranche is subordinate to the Class M-1 Reference Tranche, the Class M-2 Notes will be more sensitive than the Class M-1 Notes to Calculated Tranche Write-down Amounts after the Class Notional Amount of the Class B-H Reference Tranche is reduced to zero.

Reference Obligations Performing Under a Trial Period Prior to a Permanent Modification May Become a Credit Event Reference Obligation

Our loan modification programs employ a trial period payment plan feature which allows eligible borrowers to make reduced monthly payments for at least three months to ensure that the borrower can afford the new payment. While the borrower is making the trial period payments the mortgage loan will remain in a delinquent status. The mortgage loan will not be permanently modified and brought current until the end of the trial period and only if the borrower has otherwise complied with the terms of the loan modification agreement. The borrower may be less than 180 days delinquent when the trial period plan begins, but 180 days or more delinquent when the trial period plan ends. Under these circumstances, a Credit Event will occur during the trial period, notwithstanding that the borrower is performing in accordance with the terms of the trial period payment plan. Investors should note that even if the borrower in this circumstance successfully completes the trial period payment plan and the modification becomes effective, the related Reference Obligation will not become a Reversed Credit Event Reference Obligation and a Calculated Tranche Write-down Amount will be allocated to reduce the Class Notional Amounts of the applicable Reference Tranches. Calculated Tranche Write-down Amounts that are allocated to the Class M-1 or Class M-2 Notes will result in losses of some and possibly all of the investors' investments in the related Notes.

We also provide certain eligible borrowers with a forbearance option under which the period for repayment of certain due and unpaid amounts is extended to a later date. The amounts that are so deferred will be treated as delinquent for purposes of any Credit Event determination. As a result, borrowers whose loans are subject to an approved forbearance plan and who are performing in accordance with the terms of such plan will nonetheless be treated as delinquent. Under these circumstances, if such delinquency reaches 180 days, a Credit Event will occur and a Calculated Tranche Write-down Amount will be allocated to reduce the Class Notional Amounts of the applicable Reference Tranches. As noted above, any Calculated Tranche Write-down Amounts that are allocated to the Class M-1 or Class M-2 Notes will result in losses of some or possibly all of the investors' investments in the related Notes.

The Timing of Credit Events May Impact Returns on the Notes; Loan Seller/Servicer Willingness to Repurchase Reference Obligations on a Timely Basis May Impact Returns on the Notes

The timing of the occurrence of Credit Events, which will result in Calculated Tranche Write-down Amounts, may impact the return earned on the Notes. The timing of the occurrence of Credit Events may significantly affect the actual yield on the Notes, even if the average rate of Credit Event occurrences is consistent with your expectations. In general, the earlier the occurrence of Credit Events the greater the effect on your yield to maturity. The timing of Calculated Tranche Write-down Amounts could be affected by one or more of a wide variety of factors, including the creditworthiness of the borrowers, the borrowers' willingness and ability to continue to make payments, and the timing of market economic developments, as well as legislation, legal actions or programs that allow for the modification of loans or for borrowers to obtain relief through bankruptcy or other avenues. Any Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of the Class M-1 or Class M-2 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable, with a resulting investment loss to the affected Noteholders as well as a reduction in the interest paid on those Notes as a result of the reduced Class Principal Balance. Therefore, the timing of Calculated Tranche Write-down Amounts, and not just the overall level of such Calculated Tranche Write-down Amounts, will impact the return on the Notes.

Credit Events may ultimately be reversed, resulting in Calculated Tranche Write-up Amounts that increase the Class Notional Amounts of the Reference Tranches. The timing of reversals of Credit Events resulting in Calculated Tranche Write-up Amounts will also affect the yield on the Notes. A loan seller's or servicer's willingness, or the amount of time it may take, to repurchase a Reference Obligation, agree to a full indemnification of us with respect to a Reference Obligation or provide a make-whole payment with respect to a Reference Obligation will impact the rate at which Calculated Tranche Write-up Amounts are allocated to increase the Class Notional Amounts of the Reference Tranches. This process could result in delays in allocation, or ultimately result in no allocation, of Calculated Tranche Write-up Amounts. In addition, certain actions related to the pursuit of remedies will be subject to our discretion and we may have interests that may conflict with those of the Noteholders. Further, prior to the allocation of Calculated Tranche Write-up Amounts, the Noteholders may be subject to a higher Applicable Severity than would be the case if either the Credit Event had never occurred or the Calculated Tranche Write-up Amounts had been allocated earlier. It should also be noted that if the Class Principal Balance of a Class of Notes is increased due to the allocation of Calculated Tranche Write-up Amounts, the holders of such Notes will not be entitled to the interest that would have accrued had the previous allocation of Calculated Tranche Write-down Amounts not occurred. See "*Investment Factors and Risks Related to the Notes — Significant Write-downs of the Notes That are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest*" below. Finally, to the extent that Credit Events occur and are later reversed resulting in the allocation of Calculated Tranche Write-up Amounts to increase the Class Notional Amounts of the Reference Tranches, during the period in which the Calculated Tranche Write-up Amounts had not yet been allocated, the Minimum Credit Enhancement Test may not be satisfied due to such Credit Events. As a result, any Unscheduled Principal that may otherwise have been allocated to the Class M-1 and/or Class M-2 Reference Tranches during such period will instead be allocated to the Class A-H Reference Tranche, thereby reducing the amount of principal that we would have paid to the Noteholders during such period.

Fannie Mae's Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects That Could Lead to Credit Events

On an ongoing basis, we perform certain limited post-purchase loan review procedures with respect to the underwriting and eligibility of the loans we acquire. Out of all mortgage loans that met the Eligibility Criteria at the time we acquired them between October 1, 2012 and December 31, 2012, we reviewed 2,831 loans, including 1,406 mortgage loans included in the Reference Pool. See "*The Reference Obligations — Results of Fannie Mae Quality Control*". Our reviews were not conducted specifically in connection with the Reference Pool, but with respect to a sample of all our mortgage loans in the normal course of our quality control processes. In conducting our review procedures, we relied on information and documentation delivered to us by the respective loan sellers and on additional information and resources otherwise available to us. Our review procedures were designed to discover certain significant discrepancies and possible instances of non-compliance with our underwriting and eligibility guidelines of the sample of the mortgage loans we reviewed. However, our procedures did not constitute a re-underwriting of the mortgage loans, were not designed or intended to discover every possible defect, and may not be consistent with the type and scope of review that any individual investor would deem appropriate. In addition, to the

extent that our limited review did reveal factors that could affect how the Reference Obligations may perform, we may have incorrectly assessed the potential significance of the defects that we identified or that we failed to identify. There can be no assurance that any review process we conducted would have uncovered relevant facts that could be indicative of how any reviewed Reference Obligations will perform. Investors should note that we undertook this limited loan file review with respect to only a small sample of the Reference Obligations and did not undertake any loan file review for the remaining Reference Obligations. The selection of the mortgage loans that we reviewed was made by us and not by any independent third party.

Furthermore, the scope of our limited reviews does not include tests to validate whether or not the originators abided by each applicable federal, state and local law and regulation, such as consumer protection laws, in originating the loans, other than certain laws where we may face legal liability for the originators' noncompliance. We rely on representations and warranties from the loan sellers that the Reference Obligations were originated in compliance with all applicable federal, state and local laws and regulations of any federal regulatory agencies that are responsible for enforcing laws that protect borrowers in this regard. We rely on agreements with the servicers that the Reference Obligations are being serviced in compliance with all applicable federal, state and local laws and regulations of any federal regulatory agencies that are responsible for enforcing laws that protect borrowers in this regard. If a Credit Event occurs with respect to a Reference Obligation and we perform a review of such Reference Obligation, we do not have procedures in place to review the Reference Obligation to determine whether a breach of representations and warranties may have occurred with respect to compliance with each applicable federal, state and local law and regulation. As a result, investors should note that to the extent a Credit Event with respect to a Reference Obligation occurs and the Reference Obligation does not comply with all applicable laws, we may not discover a breach related thereto.

Fannie Mae's Quality Control and Quality Assurance Processes are Not Designed to Protect Noteholders

As part of our ongoing quality control, we undertake quality control reviews and quality assurance reviews of a small number of the mortgage loans that loan sellers deliver to us. These processes are intended to determine, among other things, the accuracy of the representations and warranties made by the loan sellers in respect of the mortgage loans that are sold to us. While investors may benefit from the quality control and quality assurance processes to the extent that any Credit Event Reference Obligation becomes a Reversed Credit Event Reference Obligation, resulting in a Calculated Tranche Write-up Amount, our quality control processes are not designed or intended to protect Noteholders. In addition, we have considerable discretion in determining whether to pursue remedies, and what type of remedy to pursue, relating to breaches of representations and warranties identified through the quality control and quality assurance processes and have no express obligation to do so. Moreover, we may at any time change our quality control and quality assurance processes in a manner that is detrimental to the Noteholders. See "*Loan Acquisition Practices — Quality Control*" in this Prospectus.

Fannie Mae Does Not Perform a Review of Each Reference Obligation That Becomes a Credit Event Reference Obligation, Which May Adversely Affect the Notes

If a Credit Event occurs with respect to a Reference Obligation and we determine through our quality control process that a breach of representations or warranties exists with respect to such Reference Obligation, Notes that previously had their Class Principal Balances reduced as a result of being allocated Calculated Tranche Write-down Amounts may be entitled to have their Class Principal Balances increased to the extent of any resulting Calculated Tranche Write-up Amounts that are allocated to the applicable Class of Notes as described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-up Amounts*". However, as described under "*Loan Acquisition Practices — Quality Control*", we will not examine through our quality control process every Reference Obligation for which a Credit Event occurs and it is possible that Reference Obligations with Underwriting Defects may go undetected. In addition, Holders of the Notes will have no right to direct us to perform a review of any Reference Obligation that becomes subject to a Credit Event. See "*— Investors Have No Direct Right to Enforce Remedies*" below. In addition, we will have the sole discretion to determine (i) whether to undertake such review, (ii) upon taking such review, whether we deem any Underwriting Defects to exist, and (iii) upon concluding that an Underwriting Defect exists, whether to require the loan seller or servicer to repurchase the related Reference Obligation, agree to a full indemnification of us in respect of the Reference Obligation or provide a make-whole payment in respect of the Reference Obligation. It should be noted that we do not differentiate between the Reference Obligations and mortgage loans that are not in the Reference Pool in pursuing remedies and in determining which mortgage loans are

reviewed pursuant to our quality control process. In addition, even if we determine that a Significant Finding exists with respect to a Reference Obligation, we cannot assure you that the related loan seller or servicer will ultimately repurchase such Reference Obligation, agree to a full indemnification or provide a make-whole payment. The failure of the related loan seller or servicer to so repurchase, agree to a full indemnification or provide a make-whole payment may result in such Reference Obligation not being subject to a Reference Pool Removal. Investors in the Notes are encouraged to make their own determination as to the extent to which they place reliance on our limited loan review procedures.

Investors should note that with respect to any Reference Obligation that is removed from the Reference Pool as a result of becoming a Credit Event Reference Obligation and as to which we subsequently discover that the applicable servicer breached its servicing obligations to us, the servicer may ultimately repurchase such Reference Obligation, agree to a full indemnification or provide a make-whole payment. Such repurchase, full indemnification or make-whole payment by the servicer will result in a Calculated Tranche Write-up Amount that is allocated to the Reference Tranches (and which may be allocated to the Notes). However, under no circumstances will compensatory fees, partial indemnification or other arrangements with the servicer result in a Calculated Tranche Write-up Amount.

Limited Scope and Size of Lead Dealer's Review of the Reference Obligations May Not Reveal Aspects of the Reference Obligations That Could Lead to Credit Events

In connection with the offering of the Notes, the Lead Dealer, on behalf of itself and the other Dealers, engaged a third party diligence provider to undertake certain limited loan review procedures with respect to various aspects of a very limited number of Reference Obligations (608 by loan count) and did not undertake any loan review procedures for the remaining Reference Obligations. The procedures included, among others, a review of the underwriting of certain of the Reference Obligations conducted by the related originators and verification of certain aspects of the Reference Obligations subject to the limited review. In selecting the sample for review, the Lead Dealer and its diligence provider were limited to Reference Obligations that previously were reviewed by us as part of our quality control process. In conducting these review procedures, the Lead Dealer relied on information and resources available to it (which were limited and which, in most cases, were not independently verified) and on the third party diligence provider. These review procedures were intended to discover certain Underwriting Defects and possible Significant Findings in the Reference Obligations reviewed. However, these procedures did not constitute a re-underwriting of the Reference Obligations, and were not designed or intended to discover every possible discrepancy or defect. In addition, the diligence provider conducted procedures designed by the Lead Dealer and the diligence provider to sample our data regarding characteristics of the Reference Obligations, which data was used to generate the numerical information about the Reference Pool included in this Prospectus. In connection with such data review, the diligence provider identified certain discrepancies with respect to the data fields it reviewed, as described under "*The Reference Obligations — Lead Dealer's Due Diligence Review — Data Integrity Review*". Further, because we did not update the mortgage loan data tape to reflect these discrepancies, the numerical disclosure in this Prospectus does not reflect any of these discrepancies with respect to the related Reference Obligations. There can be no assurance that any review process conducted uncovered relevant facts that could be determinative of how the reviewed Reference Obligations will perform.

Furthermore, to the extent that the limited review conducted by the diligence provider did reveal factors that could affect how the Reference Obligations will perform, the diligence provider may have incorrectly assessed the potential severity of those factors. For example, in cases where the diligence provider reviewed documentation of the borrower's income provided by the loan seller and determined that it did not support the original determination that the Reference Obligation met our underwriting guidelines, the diligence provider may have also reviewed information regarding the borrower's employment and income that we gathered in our post-purchase quality control review process to determine whether the Reference Obligation met our underwriting guidelines. The analysis of this information by the diligence provider may erroneously have failed to indicate a defect in the documentation of the borrower's income, which could result in an increased risk that a Credit Event on the Reference Obligation may occur. Investors are encouraged to make their own determination of the extent to which they place reliance on the limited review procedures of the diligence provider engaged by the Lead Dealer.

See "*The Reference Obligations — Lead Dealer's Due Diligence Review*".

Certain Loan Sellers May Originate Loans Under Variances to Our Selling Guide

As described under "*Loan Acquisition Practices — Credit Standards*", certain of our loan sellers have negotiated contracts with us that enable them to sell mortgage loans to us under permitted contract variances ("**Permitted Variances**") that vary from the terms of our Selling Guide. Mortgage loans originated pursuant to Permitted Variances may experience a higher rate of Credit Events than mortgage loans originated in accordance with the Selling Guide. In addition, because the Permitted Variances vary by loan seller, the performance of the Reference Obligations across the Reference Pool may not be uniform or consistent, which may adversely impact the Notes.

Recent Developments in the Residential Mortgage Market, Turbulence in the Financial Markets and Lack of Liquidity for Mortgage-Related Securities May Adversely Affect the Performance and Market Value of the Notes

The single-family housing market showed improvement in 2012 and during the first nine months of 2013, despite continued weakness in the employment market and a significant inventory of seriously delinquent loans and REO properties available in the market. The serious delinquency rate of our single-family loans declined during 2012, but the serious delinquency rate of the loans we acquired from 2005 through 2008 remains high compared to the rates of loans we acquired in years prior to 2005 due to weakness in home prices in the last several years, persistently high unemployment in many areas, extended foreclosure timelines and continued challenges faced by servicers in processing large volumes of delinquent loans, including adjusting their processes to accommodate changes in servicing standards, such as those dictated by legislative or regulatory authorities and by us. Residential loan performance has been generally worse in areas with higher unemployment rates and where declines in property values have been more significant during recent years. In its National Delinquency Survey, the Mortgage Bankers Association presents delinquency rates both for mortgages it classifies as subprime and for mortgages it classifies as prime conventional. The delinquency rates of subprime mortgages are markedly higher than those of prime conventional loan products in the Mortgage Bankers Association survey; however, the delinquency experience in prime conventional mortgage loans originated during the years 2005 through 2008 has been significantly worse than in any year since the 1930s. These developments could adversely affect the performance and market value of the Notes.

Market and economic conditions during the past several years have caused significant disruption in the credit markets. Continued concerns about the availability and cost of credit, the U.S. mortgage market, some real estate markets in the U.S., economic conditions in the U.S. and Europe and the systemic impact of inflation or deflation, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the U.S. economy. Increased market uncertainty and instability in both U.S. and international capital and credit markets, combined with declines in business and consumer confidence and increased unemployment, have contributed to volatility in domestic and international markets.

There is particular uncertainty about the prospects for growth in the U.S. economy. A number of factors influence the potential uncertainty, including, but not limited to, high current unemployment, rising government debt levels, prospective Federal Reserve policy shifts, the withdrawal of government interventions into the financial markets, changing U.S. consumer spending patterns, and changing expectations for inflation and deflation. Income growth and unemployment levels affect borrowers' ability to repay mortgage loans, and there is risk that economic activity could be weaker than anticipated following the recent serious recession. See "*Governance and Regulation*" below when considering the impact of regulation on Noteholders. Although the U.S. economy, by most measurements, has emerged from the recent recession, the recovery could be fragile and unsustainable, in which circumstances another, possibly more severe, recession may ensue. Continued concerns about the economic conditions in the United States and Europe, including downgrades of the long-term debt ratings of Eurozone nations and the United States, generally have contributed to increased market volatility and diminished growth expectations for the U.S. economy.

Subsequent to the financial crisis, the Federal Reserve adopted an easing stance in monetary policy referred to as "quantitative easing". For example, interest rate cuts, which are intended to lower the cost of borrowing, result in higher investment activity which, in turn, stimulates the economy. Based on the stabilization of unemployment, as well as the increase in home prices, the Federal Reserve has announced that it will begin to reduce quantitative easing commencing in January 2014. To the extent that there is a material reduction in quantitative easing, this may

have a negative impact on the Reference Obligations. Interest rates are likely to increase, reducing the availability of refinancing alternatives for the Reference Obligations. The economic conditions experienced from 2007 to the present have been unique and unprecedented in terms of the level of home price declines, as well as the subsequent government intervention. There can be no assurance that the factors that caused such financial crisis (or any other factors) will have similar effects on the mortgage market in the future.

As a result of market conditions and other factors, the cost and availability of credit has been and may in the future continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets and the creditworthiness of counterparties has led many lenders and institutional investors to reduce, and in some cases discontinue, lending to certain borrowers. Continued turbulence in the U.S. and international markets and economies may negatively affect the U.S. housing market and the credit performance and market value of residential mortgage loans.

In addition, the difficult economic environment and rate of unemployment and other factors (which may or may not affect real property values) may affect the borrowers' timely payment of scheduled payments of principal and interest on the Reference Obligations and, accordingly, increase the occurrence of 180-day or more delinquencies and other Credit Events with respect to the Reference Obligations.

In addition, the secondary market for mortgage-related securities is experiencing extremely limited liquidity. These conditions may continue or worsen in the future. Limited liquidity in the secondary market may continue to have a severe adverse effect on the market value of mortgage-related securities, especially those that are more sensitive to prepayment or credit risk.

Limited liquidity in the secondary market for mortgage-related securities could adversely affect a Noteholder's ability to sell the Notes or the price such Noteholder receives for the Notes.

These factors and general market conditions, together with the limited amount of credit enhancement available to the Noteholders (as further described in this Prospectus), could adversely affect the performance and market value of your Notes and result in a full or partial loss of your initial principal investment. See "*Prepayment and Yield Considerations — Yield Considerations with Respect to the Notes*". There can be no assurance that governmental intervention or other actions or events will improve these conditions in the near future.

Appraisals May Not Accurately Reflect the Value or Condition of the Mortgaged Properties; Loan-to-Value Ratios May Be Calculated Based on Appraised Values at Origination, Which May Not Be Accurate Reflections of Current Market Values

In general, an appraisal represents the analysis and opinion of the person performing the appraisal at the time the appraisal is prepared and is not a guaranty of, and may not be indicative of, present or future value. We cannot assure you that another person would not have arrived at a different valuation, even if such person used the same general approach to and same method of valuing the property, or that different valuations would not have been reached by any originator based on its internal review of such appraisal.

The appraisals obtained in connection with the origination of the Reference Obligations sought to establish the amount a typically motivated buyer would pay a typically motivated seller at the time they were prepared. Such amount could be significantly higher than the amount obtained from the sale of a related mortgaged property under a distressed or liquidation sale. In addition, in certain real estate markets property values may have declined since the time the appraisals were obtained, and therefore the appraisals may not be an accurate reflection of the current market values of the related mortgaged properties. The Reference Obligations were originated on or after July 1, 2012 and the appraisals were generally prepared at the times of origination. The current market values of the related mortgaged properties could be lower, and in some cases significantly lower, than the values indicated in the appraisals obtained at the origination of the Reference Obligations and included in the original loan-to-value ratios reflected in this Prospectus.

Because appraisals may not accurately reflect the value or condition of the related mortgaged properties and because property values may have declined since the time appraisals were obtained, the original loan-to-value ratios and the original combined loan-to-value ratios that are disclosed in this Prospectus may be lower, in some cases significantly lower, than the loan-to-value ratios that would be determined if current appraised values of the related

mortgaged properties were used to determine loan-to-value ratios. Investors are encouraged to make their own determination as to the degree of reliance they place on the original loan-to-value ratios and the original combined loan-to-value ratios that are disclosed in this Prospectus.

Credit Scores May Not Accurately Predict the Likelihood of Default

The statistical information presented in this Prospectus and the accompanying loan level information includes data on borrower Credit Scores. "**Credit Scores**" are generated by models developed by third party credit reporting organizations that analyze data on consumers in order to establish patterns which are believed to be indicative of a borrower's probability of default. A Credit Score represents an opinion of the related credit reporting organization of a borrower's creditworthiness. The Credit Score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit Scores range from approximately 300 to approximately 850, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. A Credit Score purports only to be a measurement of the relative degree of risk a borrower represents to a lender, i.e., that a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score. In addition, it should be noted that Credit Scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of most mortgage loans. Furthermore, Credit Scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general. Therefore, Credit Scores do not address particular mortgage loan characteristics that influence the probability of repayment by the borrower. Fannie Mae does not make any representation or warranty as to any borrower's current Credit Score or the actual performance of any Reference Obligation, or that a particular Credit Score should be relied upon as a basis for an expectation that a borrower will repay the related Reference Obligation according to its terms.

Reduced Lending Capacities and/or Increases in Mortgage Interest Rates May Hinder Refinancing and Increase the Risk of Credit Events on the Reference Obligations

Since 2006, a number of originators and servicers of residential mortgage loans have experienced serious financial difficulties and, in some cases, have gone out of business. These difficulties have resulted, in part, from declining markets for their mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults or for breaches of representations and warranties regarding loan quality and characteristics. Many originators with large servicing portfolios have experienced rising costs of servicing as mortgage loan delinquencies have increased, without a compensating increase in servicing compensation. Moreover, mortgage interest rates have been at historical lows for several years. Mortgage rates have recently increased such that many Reference Obligations have interest rates below current mortgage rates. Furthermore, interest rates may continue to increase over time. Such further increase in interest rates, as well as reduced availability of affordable mortgage products, may result in slower prepayments on, and an adverse performance of, the Reference Obligations. Such performance may differ from historical performance. Additionally, efforts to impose stricter mortgage qualifications for borrowers or reduce the presence of Fannie Mae or Freddie Mac could lead to fewer alternatives for borrowers.

The Dodd-Frank Act was signed into law on July 21, 2010. The Bureau of Consumer Financial Protection published a final rule implementing Sections 1411 and 1412 of the Dodd-Frank Act, which generally requires creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling and establishes certain protection from liability under this requirement for qualified mortgages. The final rule defines "qualified mortgage" and became effective on January 10, 2014. The final rule may result in a reduction in the availability of mortgage loans in the future that do not meet the criteria of a qualified mortgage as outlined in the final rule and may adversely affect the ability of borrowers to refinance the Reference Obligations. No assurances are given as to the effect of the new rule on the value of your Notes.

These trends may reduce alternatives for borrowers seeking to refinance their mortgage loans. The reduced availability of refinancing options for borrowers may result in higher rates of delinquencies and other Credit Events on the Reference Obligations.

The Rate and Timing of Principal Payment Collections on the Reference Obligations Will Affect the Yield on the Notes

Assuming Fannie Mae meets its payment obligations described herein, the rate and timing of payments of principal and the yield to maturity on the Notes will be directly related to the rate and timing of collections of principal payments on the Reference Obligations. Borrowers are permitted to prepay their Reference Obligations, in whole or in part, at any time, without penalty.

The principal payment characteristics of the Notes have been designed so that the Notes amortize based on the collections of principal payments on the Reference Obligations. The Mezzanine and Junior Reference Tranches will not be allocated Unscheduled Principal on the Reference Pool unless a target credit enhancement percentage has been maintained. Unlike securities in a senior/subordinate private label residential mortgage-backed securitization, the principal payments required to be paid by Fannie Mae on the Notes will be based in part on Scheduled Principal that is collected on the Reference Obligations, rather than on scheduled payments due on the Reference Obligations, as described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" in this Prospectus. In other words, to the extent that there is a delinquent borrower who misses a payment (or makes only a partial scheduled payment) on a Reference Obligation, Fannie Mae will not make principal payments on the Notes based on the amount that was due on such Reference Obligation; instead, Fannie Mae will only make principal payments on the Notes based on Scheduled Principal and Unscheduled Principal actually collected on such Reference Obligation. Additionally, the Notes will only receive principal based on Unscheduled Principal upon the satisfaction of the Minimum Credit Enhancement Test as described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" in this Prospectus. Moreover, with respect to a Credit Event Reference Obligation that becomes a Reversed Credit Event Reference Obligation, all collections of principal on such Reversed Credit Event Reference Obligation will be treated as Unscheduled Principal. Investors should make their own determination as to the effect of these features on the Notes.

The rate and timing of principal payments (including prepayments) on mortgage loans is influenced by a variety of economic, geographic, social and other factors, but may depend greatly on the level of mortgage interest rates:

- If prevailing interest rates for similar mortgage loans fall below the interest rates on the Reference Obligations, the rate of principal prepayments would generally be expected to increase due to refinancings.
- Conversely, if prevailing interest rates for similar mortgage loans rise above the interest rates on the Reference Obligations, the rate of principal prepayments would generally be expected to decrease.

The rate and timing of principal payments on the Reference Obligations will also be affected by the following:

- the amortization schedules of the Reference Obligations,
- the rate and timing of partial prepayments and full prepayments by borrowers, due to refinancing, job transfers, changes in property value or other factors,
- the rate and timing of payment in full of Reference Obligations or other removals from the Reference Pool, and
- the rate and timing of Credit Events (and any reversals thereof).

Mortgage originators make general solicitations for refinancings. Any such solicited refinancings may result in a rate of principal prepayments that is higher than prospective investors might otherwise expect.

In addition, a number of municipalities in various States throughout the U.S. have expressed an interest in exploring the potential for seizing undercollateralized mortgage loans under the power of eminent domain, including Seattle, Washington and the California cities of El Monte and Richmond. In certain instances, including the City of Richmond, California, municipalities have made a determination to pursue this policy. We note that 0.03% of the

Reference Obligations (by Cut-off Date Balance) are secured by mortgaged properties located in Richmond, California. In the event any such seizures were to occur with respect to mortgage loans included in the Reference Pool, the result would be the removal of each affected mortgage loan from the Reference Pool and a corresponding allocation of Unscheduled Principal in an amount equal to the aggregate principal balance of the mortgage loans so removed.

No representation is made as to the rate of principal payments, including principal prepayments, on the Reference Obligations or as to the yield to maturity of any Class of Notes. In addition, there can be no assurance that any of the Reference Obligations will or will not be prepaid prior to their maturity. An investor is urged to make an investment decision with respect to any Class of Notes based on the anticipated yield to maturity of that Class of Notes resulting from its purchase price and the investor's own determination as to anticipated Reference Obligation prepayment and Credit Event rates under a variety of scenarios. The extent to which the Notes are purchased at a discount or a premium and the degree to which the timing of payments on the Notes is sensitive to prepayments will determine the extent to which the yield to maturity of the Notes may vary from the anticipated yield.

If investors are purchasing Notes at a discount, such prospective investors should consider the risk that if principal payments on the Reference Obligations occur at a rate slower than such prospective investors expected, such prospective investors' yield will be lower than expected. If prospective investors are purchasing Notes at a premium, such prospective investors should consider the risk that if principal payments on the Reference Obligations occur at a rate faster than such investors expected, such prospective investors' yield will be lower than expected and such investors may not even recover their investment in the Notes. Notwithstanding the price an investor paid for the Notes, if principal payments are faster than expected, then, depending on then-prevailing economic conditions and interest rates, an investor may be unable to reinvest those funds at a yield that is equal to or greater than the yield on the Notes. By contrast, if principal payments are slower than expected and the yield on the Notes is lower than comparable investments available when an investor expected to, but did not, receive principal, an investor will be at a disadvantage by not having as much principal available to reinvest at that time.

The timing of changes in the rate of prepayments may significantly affect the actual yield to you, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier the payment of principal of the Reference Obligations, the greater the effect on your yield to maturity. As a result, the effect on an investor's yield due to principal prepayments occurring at a rate higher (or lower) than the rate anticipated during the period immediately following the issuance of the Notes may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. See "*Summary of Terms — Prepayment and Yield Considerations*" and "*Prepayment and Yield Considerations*" in this Prospectus.

For a more detailed discussion of these factors, see "*Prepayment and Yield Considerations*" and "*The Reference Obligations*" in this Prospectus.

Fannie Mae Does Not Re-Underwrite the Mortgage Loans It Acquires From Its Loan Sellers, Which May Adversely Affect the Performance of the Reference Obligations

We do not originate any mortgage loans, including the Reference Obligations. As described under "*Loan Acquisition Practices*", we acquire mortgage loans, including the Reference Obligations, from our approved loan sellers pursuant to our contracts with such loan sellers. We do not re-underwrite the mortgage loans that we acquire and we have not done so with respect to the Reference Obligations. Our quality control reviews encompass only a very small percentage of mortgage loans or Reference Obligations that we have acquired, and our quality control reviews do not constitute a re-underwriting of the Reference Obligations we do review, as described under "*Loan Acquisition Practices – Quality Control*". We depend on our loan sellers' compliance with our contracts and rely on the loan sellers' representations and warranties to us that the mortgage loans being sold satisfy the underwriting standards and other requirements specified in the loan sellers' contracts with us. We generally do not independently verify compliance by our loan sellers with respect to their representations and warranties and, other than with respect to any Reference Obligations that we may have reviewed under our quality control process described in this Prospectus, we have not done so with respect to the Reference Obligations. As a result, it is possible that if loan sellers have not complied with their obligations under their contracts with us that certain Reference Obligations may have defects or deficiencies that we are not aware of. Reference Obligations with substantial defects are likely to experience Credit Events at a higher rate than Reference Obligations without such defects, which could result in

Calculated Tranche Write-down Amounts being allocated to reduce the Class Principal Balances of the Notes and, in turn, investment losses to the related Noteholders.

Additionally, we do not independently verify the loan-level information and data reported or furnished to us by our loan sellers and servicers of the mortgage loans. Discrepancies in the loan-level information and data may come to our attention from loan sellers, servicers, vendors retained by us, third parties or through our quality control processes.

The Performance of the Reference Obligations Could Be Dependent on the Servicers

The performance by the servicers of the Reference Obligations could have an impact on the amount and timing of principal collections on the related Reference Obligations and the rate and timing of the occurrence of Credit Events with respect thereto. As described under "*Loan Acquisition Practices — Servicing Standards*" in this Prospectus, servicers are generally required to service the Reference Obligations in accordance with the terms of our Servicing Guide. The servicers are servicing only for the benefit of Fannie Mae and have no duties or obligations to service for the benefit of investors in the Notes. We are the master servicer of the Reference Obligations and generally supervise and monitor the performance of the servicers, although we have no such duty to supervise and monitor the servicers' performance for the benefit of the investors in the Notes. We cannot assure you that any supervision and monitoring of the servicers that we may undertake will be sufficient to determine substantial compliance by the servicers of their contractual obligations owed to us. The Reference Obligations will be serviced by many different servicers, and the individual performance of servicers will vary. As a result, the performance of the Reference Obligations may similarly vary, which may adversely affect the Notes. For example, the servicing practices of each servicer could have an impact on the timing and amount of Unscheduled Principal allocated to any Reference Obligation, which as a result will have an impact on the timing of principal payments made by Fannie Mae on the Notes.

Servicers May Not Follow the Requirements of Our Servicing Guide and Servicing Standards May Change Periodically

There is a risk that servicers will commit reporting errors or otherwise fail to follow the Servicing Guide, which may result in such Reference Obligations experiencing a higher rate of Credit Events than the Reference Obligations serviced in accordance with the Servicing Guide or, in certain limited instances, removal from the Reference Pool. Also, in the normal course of our business we may make periodic changes to the servicing provisions of the Servicing Guide. Any such future changes will become applicable to the servicing of the Reference Obligations at such future time. We are under no obligation to consider the impact these changes may have on the Reference Obligations or the Notes and we cannot assure you that any future changes will not have an adverse impact on the Reference Obligations and the Notes.

Servicing Transfers May Result in Decreased or Delayed Collections and Credit Events

Fannie Mae has the right to terminate servicers with or without cause as described in the Servicing Guide. The removal of servicing from one servicer and transfer to another servicer involves some risk of disruption in collections due to data input errors, misapplied or misdirected payments, inadequate borrower notification, system incompatibilities and other reasons. As a result, the affected Reference Obligations may experience increased delinquencies and defaults, at least for a period of time, until all of the borrowers are informed of the transfer and the related servicing records and all the other relevant data has been obtained by the new servicer. There can be no assurance as to the extent or duration of any disruptions associated with the transfer of servicing or as to the resulting effects on the yields on the Notes. To the extent Reference Obligations become delinquent as a result of such servicing transfer, such delinquencies may result in Credit Events, which could result in Calculated Tranche Write-down Amounts being allocated to reduce the Class Principal Balances of the Notes and, in turn, investment losses to the related Noteholders.

Each Servicer's Discretion Over the Servicing of the Related Reference Obligations May Impact the Amount and Timing of Funds Available to Make Payments on the Notes

Each servicer is obligated to service the related Reference Obligations in accordance with applicable law, the Servicing Guide and Permitted Variances, as applicable. See "*Loan Acquisition Practices — Servicing Standards*"

in this Prospectus. Each servicer has some discretion in servicing the related Reference Obligations as it relates to the application of the Servicing Guide and Permitted Variances, as applicable. Maximizing collections on the related Reference Obligations is not the servicer's only priority in connection with servicing the related Reference Obligations. Consequently, the manner in which a servicer exercises its servicing discretion or changes its customary servicing procedures could have an impact on the amount and timing of principal collections on the related Reference Obligations, which may impact the amount and timing of principal payments to be made by Fannie Mae on the Notes.

The Performance of Loan Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations

The financial difficulties of loan sellers and servicers of residential mortgage loans may be exacerbated by higher delinquencies and defaults that reduce the value of mortgage loan portfolios, requiring loan sellers to sell their portfolios at greater discounts to par. In addition, the costs of servicing an increasingly delinquent mortgage loan portfolio may be rising without a corresponding increase in servicing compensation. Many loan sellers and servicers of residential mortgage loans also have been the subject of governmental investigations and litigation, which potentially may impact the financial condition of those financial institutions. In addition, any regulatory oversight, proposed legislation and/or governmental intervention may have an adverse impact on loan sellers and servicers. These factors, among others, may have the overall effect of increasing costs and expenses of loan sellers and servicers while at the same time decreasing servicing cash flow and loan origination revenues. This in turn may have a negative impact on the ability of loan sellers and servicers to perform their obligations to us with respect to the Reference Obligations, which could affect the amount and timing of principal collections on the Reference Obligations and the rate and timing of the occurrence of Credit Events. For any loan seller or servicer that becomes subject to a bankruptcy proceeding, Fannie Mae may receive lump sum settlement proceeds from the bankruptcy estate to cover all liabilities and/or contingent liabilities of such loan seller or servicer to Fannie Mae (net of, if applicable, all liabilities and/or contingent liabilities of Fannie Mae to such loan seller or servicer), a portion of which may include proceeds that relate to underwriting and origination representation and warranty breaches. Given the difficulty and impracticality to separately and accurately account for the proceeds that relate to underwriting and origination representation and warranty breaches, no portion of these settlement proceeds that Fannie Mae may receive will be included in the Rep and Warranty Settlement Coverage Amount, allocated to reduce the Class Notional Amount of the Reference Obligation or otherwise in a Calculated Tranche Write-up Amount.

Determinations of Reversed Credit Event Reference Obligations Will Be Dependent in Part on Cooperation by the Loan Sellers and Servicers and on Fannie Mae's Quality Control Procedures

If Fannie Mae were to discover a defect or deficiency with respect to any Reference Obligation during the course of its quality control reviews, Fannie Mae may require the loan seller or servicer to repurchase the related Reference Obligation, agree to a full indemnification of Fannie Mae in respect of the Reference Obligation or provide a make-whole payment in respect of the Reference Obligation, as described under "*Loan Acquisition Practices — Quality Control — Loan Remediation Process — Repurchases*" in this Prospectus. However, such loan seller or servicer may not have the financial ability, or may decide not, to repurchase, indemnify or provide a make-whole payment with respect to such Reference Obligation. Alternatively, such loan seller or servicer may appeal Fannie Mae's repurchase request, as described under "*Loan Acquisition Practices — Quality Control — Loan Remediation Process — Appeal Process for Repurchases and Other Remedies*". Any of these actions by a loan seller or servicer may delay or reduce the allocation of any Calculated Tranche Write-up Amount to increase the Class Principal Balances of the Notes.

Also, if any loan seller or servicer becomes subject to a bankruptcy proceeding, is placed in receivership, or is terminated by us, we may cease to include mortgage loans sold or serviced by such loan seller or servicer in the population of mortgage loans that are selected to be reviewed under our quality control process described under "*Loan Acquisition Practices — Quality Control*" if we determine that the likelihood of collecting on any potential remedies for such loans is low. As a result, any defects or deficiencies that may exist with respect to such Reference Obligations may go undetected, or may fail to result in a Calculated Tranche Write-Up Amount.

Solicitation May Result in Erosion in the Overall Credit Quality of the Reference Pool

While we prohibit our servicers from specifically soliciting our borrowers for refinancing or segregating mortgages in their own portfolio from those sold to Fannie Mae for different treatment in terms of refinance advertising, offers or practices (except for HARP refinancing where they are required only to treat Fannie Mae- and Freddie Mac-serviced loans the same), our servicers and other mortgage lenders are not precluded from conducting broad based consumer advertising and solicitations of borrowers in general to refinance their mortgage loans. These refinancings may increase the rate of prepayment of the Reference Obligations. The refinancing of a portion of the Reference Obligations may lead to an erosion of the credit quality of the Reference Obligations remaining in the Reference Pool and a resulting increase in the rate of Credit Events. A Noteholder may receive less interest on the Notes as a result of prepayments on such Reference Obligations and as a result may experience a lower yield on its investment.

Borrowers May Have, or May in the Future Incur, Additional Indebtedness Secured by Mortgaged Properties Securing the Reference Obligations

As of the Cut-off Date, approximately 9.46% of the Reference Obligations by Cut-off Date Balance are secured by mortgaged properties that also were subject to subordinate mortgage liens at the respective times of origination of those Reference Obligations and considered in the underwriting of such Reference Obligations. In addition, borrowers may generally obtain additional mortgage loans secured by their respective properties at any time and we are not generally entitled to receive notification when a borrower does so. Therefore, it is possible that borrowers have obtained additional post-origination subordinate mortgages. If such a post-origination subordinate mortgage is obtained with respect to a Reference Obligation, this additional indebtedness could increase the risk that the value of the related mortgaged property is less than the total indebtedness secured by such mortgaged property and could increase the risk of Credit Events on such Reference Obligation. The existence of subordinate mortgage liens may adversely affect default rates because the related borrowers must make two or more monthly payments and also because such subordinate mortgages will result in an increased combined loan-to-value ratio of the mortgage loans. A default on a subordinate mortgage loan could cause the related mortgaged property to be foreclosed upon at a time when the first mortgage loan remains current as to scheduled payments. If this should occur with respect to Reference Obligations, it may affect prepayment rates on the Reference Obligations and could result in increased Credit Events with respect to the Reference Obligations, which could adversely affect the Noteholders. Further, with respect to mortgage loans that have subordinate lien mortgages encumbering the same mortgaged property, the risk of Credit Events may be increased relative to mortgage loans that do not have subordinate financing since borrowers who have subordinate lien mortgages have less equity in the mortgaged property. We have not independently verified the existence of any subordinate liens on any mortgaged properties securing the Reference Obligations, and any information provided in this Prospectus as to subordinate liens on any mortgaged properties securing the Reference Obligations is based solely on the representation made by the related loan sellers in connection with our acquisition of the related Reference Obligations.

Geographic Concentration May Increase Risk of Credit Events Due to Adverse Economic Conditions or Natural Disasters

As of the Cut-off Date, approximately 30.01% of the Reference Obligations by Cut-off Date Balance are secured by mortgaged properties located in California. If the regional economy or housing market weakens in California or any other state or region having a significant concentration of mortgaged properties underlying the Reference Obligations, the Reference Obligations may experience higher rates of Credit Events, resulting in losses on the Notes. In addition, California, states in the Gulf coast region and southeastern and northeastern Atlantic coast, the New England area, Oklahoma, Colorado and other regions have experienced natural disasters, including earthquakes, fires, floods, tornadoes and hurricanes, which may adversely affect borrowers and mortgaged properties. Any concentration of mortgaged properties in a state or region may present unique risk considerations. No assurance can be given as to the effect of natural disasters on delinquencies and losses on any of the Reference Obligations secured by the mortgaged properties that might be damaged by such natural disasters or on any other Reference Obligations. In the event of a natural disaster we may offer relief, such as a deferral of a payment or permanent modification of the terms of a Reference Obligation, to affected borrowers. If, pursuant to any relief we may offer, a borrower makes reduced payments or defers making payments on their Reference Obligation, such borrower will be considered delinquent and if such relief continues for 180 days or more, a Credit Event will occur.

Any such relief may also impact the prepayment experience of the related Reference Obligations. In providing such relief, we will not distinguish from mortgage loans that are not in the Reference Pool.

Any deterioration in housing prices in a state or region due to adverse economic conditions, natural disasters or other factors, any deterioration of the economic conditions or natural disasters in a state or region that adversely affects the ability of borrowers to make payments on the Reference Obligations and any deterioration in our financial position may result in losses on the Notes. Any losses will adversely affect the yield to maturity of the Notes.

See "*The Reference Pool*" in Appendix A to this Prospectus for further information regarding the geographic concentration of the Reference Obligations.

The Rate of Credit Events on Mortgage Loans That Are Secured by Second Homes or Investment Properties May be Higher than the Rate on Other Mortgage Loans

As of the Cut-off Date, approximately 12.99% of the Reference Obligations by Cut-off Date Balance are secured by properties acquired as second homes or investment properties. Mortgage loans secured by properties acquired as second homes or investments may present a greater risk that the borrower will stop making monthly payments if the borrower's financial condition deteriorates. Properties acquired as second homes or investments may have a higher frequency of Credit Events than properties that are owner-occupied. In a default, a borrower who does not reside in the mortgaged property may be more likely to abandon the related mortgaged property. This risk may be especially pronounced for borrowers with mortgage loans on more than two properties. In addition, income expected to be generated from an investment property may have been considered for underwriting purposes in addition to the income of the borrower from other sources. Should this income not materialize, it is possible the borrower would not have sufficient resources to make payments on the mortgage loan.

The percentage of the Reference Obligations described in the preceding paragraph does not include any mortgage loans secured by second homes or investment properties for which the related borrower identified the purpose of the loan as owner-occupied. Any such mortgage loan may perform similarly (and demonstrate similar risks) to mortgage loans described in the preceding paragraph. We have not independently verified the occupancy status of any home, and any information provided in this Prospectus as to owner occupancy is based solely on the representation made by the related borrower in connection with the origination of the related Reference Obligation.

The Rate of Credit Events on Mortgage Loans That Are Cash-out Refinance Transactions May be Higher Than on Other Mortgage Loans

As of the Cut-off Date, approximately 15.83% of the Reference Obligations by Cut-off Date Balance were originated as cash-out refinance transactions. In a cash-out refinance transaction, in addition to paying off existing mortgage liens, the borrower obtains additional funds that may be used for other purposes, including paying off subordinate mortgage liens and providing unrestricted cash proceeds to the borrower. In other refinance transactions, the funds are used to pay off existing mortgage liens and may be used in limited amounts for certain specified purposes; such refinances are generally referred to as "no cash-out" or "rate and term" refinances. Cash-out refinancings generally have had a higher risk of Credit Events than mortgage loans originated in no cash-out, or rate and term, refinance transactions.

Mortgage Loans Made to Certain Borrowers May Present a Greater Risk

Credit Events on certain Reference Obligations may be higher as a result of the related borrowers' circumstances. Borrowers of certain Reference Obligations may have less steady or predictable income than others, which may increase the risk of these borrowers not making timely payments. Further, borrowers who are significantly increasing their housing payments may have difficulties adjusting to their new housing debt even though their debt-to-income ratios may be within guidelines. These home buyers may present a greater risk of default as a result of their circumstances. Investors should consider that a higher number of borrowers that have these types of issues may result in increased Credit Events on the Reference Obligations.

Mortgage Loans Secured by Manufactured Homes May Present a Greater Risk

Approximately 0.12% of the Reference Obligations by Cut-off Date Balance are secured by manufactured homes. Reference Obligations secured by manufactured homes may present a greater risk that the borrower will default on the Reference Obligation as compared to mortgage loans secured by non-manufactured homes. Consequently, investors should consider that a higher number of Reference Obligations secured by manufactured homes may result in increased Credit Events on the Reference Obligations.

Impact of Major Natural or Other Disasters in the United States

We conduct our business in the residential mortgage markets and own or guarantee the performance of mortgage loans throughout the United States. The occurrence of a major natural or environmental disaster, terrorist attack, pandemic, or similar event (a "**major disruptive event**") in a regional geographic area of the United States could negatively impact our credit losses and credit-related expenses in the affected area.

The occurrence of a major disruptive event could negatively impact a geographic area in a number of different ways, depending on the nature of the event. A major disruptive event that either damages or destroys the mortgaged properties securing the Reference Obligations or negatively impacts the ability of borrowers to continue to make principal and interest payments could increase the rates at which the Reference Obligations in the affected region or regions incur Credit Events. There can be no assurance that a major disruptive event, depending on its magnitude, scope and nature, will not generate significant credit losses and credit-related expenses affecting the Reference Pool.

Additionally, federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of mortgage loans to borrowers affected in some way by recent and possible future events.

Impact of Potential Military Action and Terrorist Attacks

The effects that any military action by United States forces in other regions and potential terrorist attacks within or outside the United States may have on the performance of the Reference Obligations cannot be determined at this time. Prospective investors should consider the possible effects on delinquency, default and prepayment experience of the Reference Obligations. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of mortgage loans to mortgagors affected in some way by recent and possible future events.

The Servicemembers Civil Relief Act, similar state military relief laws and Fannie Mae's policies relating to servicemembers may require payment reduction or foreclosure forbearance to some borrowers and their dependents. Moreover, federal and state agencies have deferred, reduced or forgiven and may continue to defer, reduce or forgive payments and delay foreclosure proceedings for mortgage loans to borrower affected in some way by possible future military action, deployment or terrorist attacks whether or not they are servicemembers or their dependents.

Mortgage Loan Historical Information Is Not Indicative of Future Performance of the Reference Pool

The information with respect to the Reference Obligations and our mortgage loans generally in this Prospectus or otherwise made available to investors is historical in nature and should not be relied upon as indicative of the future performance of the Reference Obligations. In the past, historical information was not indicative of future performance due to various factors, including changes in lending standards, availability of affordable mortgage products, the general state of the economy and housing prices.

Governance and Regulation

The Dodd-Frank Act and Regulatory Changes in the Financial Services Industry May Negatively Impact Our Business and the Reference Pool

The Dodd-Frank Act is significantly changing the regulation of the financial services industry, resulting in new standards related to regulatory oversight of systemically important financial companies, derivatives transactions, asset-backed securitization, mortgage underwriting and consumer financial protection. This legislation is affecting

and will, in the future, directly and indirectly affect many aspects of our business and could have a material adverse effect on the Reference Obligations and on our business, results of operations, financial condition, liquidity and net worth. The Dodd-Frank Act and related regulatory changes could require us to change certain business practices, cause us to incur significant additional costs, limit the products we offer, require us to increase our regulatory capital or otherwise adversely affect our business. Additionally, implementation of this legislation will result in increased supervision and more comprehensive regulation of our customers and counterparties in the financial services industry, which may have a significant impact on the business practices of our customers and counterparties, as well as on our counterparty credit risk. It is possible that any such changes will adversely affect the servicing of the Reference Obligations.

Examples of aspects of the Dodd-Frank Act and related regulatory changes that may affect us include minimum standards for residential mortgage loans, which could subject us to increased legal risk for some loans we acquire; and the development of credit risk retention regulations applicable to residential mortgage loan securitizations, which could impact the types and volume of loans sold to us. Although the final version of the "ability to repay" rule of the Consumer Financial Protection Bureau ("**CFPB**") became effective on January 10, 2014, there is uncertainty as to whether the rule may increase our legal risk for loans we acquire. We could also be designated as a systemically important nonbank financial company subject to supervision and regulation by the Federal Reserve. If this were to occur, the Federal Reserve would have the authority to examine us and could impose stricter prudential standards on us, including risk-based capital requirements, leverage limits, liquidity requirements, credit concentration limits, resolution plan and credit exposure reporting requirements, overall risk management requirements, contingent capital requirements, enhanced public disclosures and short-term debt limits.

Because federal agencies have not completed all of the extensive rule-making processes needed to implement and clarify many of the provisions of the Dodd-Frank Act, it is difficult to assess fully the impact of this legislation on our business and industry at this time, and we cannot predict what similar changes to statutes or regulations will occur in the future. In addition, for many of the provisions of the Dodd-Frank Act, uncertainty regarding how they will ultimately be implemented is affecting and may in the future affect our actions and those of our customers and counterparties, which may negatively impact our business, results of operation, financial condition or liquidity. Related charges could interfere with the servicing of the Reference Obligations, limit default management and our loss mitigation options and lead to an increased likelihood of Credit Events in the Reference Pool.

In addition, the actions of Treasury, the Commodity Futures Trading Commission, the SEC, the Federal Deposit Insurance Corporation ("**FDIC**"), the Federal Reserve and international central banking authorities directly or indirectly impact financial institutions' cost of funds for lending, capital-raising and investment activities, which could increase our borrowing costs or make borrowing more difficult for us. Changes in monetary policy are beyond our control and difficult to anticipate.

Moreover, Basel III's revisions to international capital requirements also may have a significant impact on us. Depending on how they are implemented by regulators, the Basel III rules could be the basis for a revised framework for GSE capital standards that could increase our capital requirements.

Overall, these legislative and regulatory changes could affect us in substantial and unforeseeable ways and could have a material adverse effect on the Reference Pool and our business, results of operations, financial condition, liquidity and net worth.

Legislative or Regulatory Actions Could Adversely Affect Our Business Activities and the Reference Pool

In addition to the Dodd-Frank Act and the possible reform of us and Freddie Mac discussed in this Prospectus, our business operations and those of our loan sellers and servicers may be adversely affected by other legislative and regulatory actions at the federal, state, and local levels, including by legislation or regulatory action that changes the loss mitigation, preforeclosure and foreclosure processes. For example, various states and local jurisdictions have implemented mediation programs designed to bring servicers and borrowers together to negotiate workout options. These actions could delay the final resolution of seriously delinquent mortgage loans and lead to increased Credit Events. We and our servicers could also be affected by any legislative or regulatory changes that would expand the responsibilities and liability of servicers and assignees for maintaining vacant properties prior to foreclosure. These laws and regulatory changes could significantly expand mortgage costs and liabilities leading to negative effects on the Reference Pool. The Reference Pool could also be affected by legislative or regulatory changes that permit or

require principal reductions or forgiveness, including through the bankruptcy process, which could also affect how we determine principal prepayments (e.g., if we are permitted or required to effect principal reductions with respect to certain delinquent Reference Obligations, any such forgiven principal with respect to a Payment Date will result in an increased amount of Unscheduled Principal, which will lead to an increased amount of principal being paid on the Notes for such Payment Date). These laws and regulations are sometimes created with little or no advance warning and we and our loan sellers and servicers may have limited ability to participate in the legislative or regulatory process.

In April 2010, the SEC proposed rules, some of which were re-proposed in July 2011, that, if adopted, would further substantially revise Regulation AB and other rules regarding the offering process, disclosure and reporting for asset-backed securities. Among other things, the proposed changes would require (i) enhanced disclosure of loan level information at the time of securitization and on an ongoing basis, (ii) that the transaction agreements provide for review of the underlying assets by an independent credit risk manager if certain trigger events occur and (iii) periodic assessments of an asset-backed security issuer's continued ability to conduct shelf offerings. In addition, pursuant to the Dodd-Frank Act in August 2013, the SEC and other regulators issued a release soliciting public comment on re-proposed rules that, if adopted, would require, among other things, that a sponsor or its affiliate retain at least 5% of the credit risk underlying a non-exempt securitization, and would in general prohibit the transfer or hedging of, and restrict the pledge of, the retained credit risk for specified periods. We cannot predict what effect these proposed rules will have, if adopted, on the marketability of asset-backed securities. As most recently proposed, these rules are not anticipated to be applicable to the Notes because the Notes are not asset-backed securities. However, if the proposed rules are adopted and if the Notes are viewed in the financial markets as having traits in common with asset-backed securities, the Notes may be less marketable than asset-backed securities that are offered in compliance with the proposed rules.

Investors should independently assess and determine whether they are directly or indirectly subject to Articles 404-410 of the European Union Capital Requirements Regulation 575/2013, which apply to both European Economic Area credit institutions and European Economic Area investment firms and which, among other things, place certain restrictions on the ability of affected institutions and firms to invest in asset-backed securities. Articles 404-410 replaced Article 122a of the Capital Requirements Directive 2006/48/EC on January 1, 2014. Similar requirements apply to European Economic Area-regulated alternative investment fund managers under the Alternative Investment Fund Managers Directive 2011/61/EU, and other similar requirements are expected to be implemented for other types of European Union-regulated investors and investment managers in the future. The risk retention and other requirements included in any such regulations, and any other changes in the regulatory treatment of the Notes, may negatively affect the regulatory position of affected investors and investment managers and may have an adverse impact on the value and liquidity of the Notes themselves. None of the Issuer, any Dealer or any of their affiliates makes any representation that it has complied, or agreement that it will comply, with the requirements of any such regulations.

Investors should also independently assess and determine whether they are directly or indirectly subject to market risk capital rules jointly promulgated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the FDIC that became effective on January 1, 2013. Any prospective investor that is subject to these rules should independently assess and determine its ability to comply with the regulatory capital treatment and reporting requirements that may be required with respect to the purchase of a Note and what impact any such regulatory capital treatment and reporting requirements may have on the liquidity or market value of the Notes.

All of these events could have a material adverse impact on the Noteholders.

Risks Relating to Fannie Mae

In addition to the risks relating to us set forth below, investors should carefully consider the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, which are incorporated in this Prospectus by reference.

A Receiver May Transfer or Sell Fannie Mae's Assets and Liabilities

On September 6, 2008, FHFA was appointed our conservator by the FHFA director. See "*Fannie Mae — Regulation and Conservatorship*" in this Prospectus. If FHFA were to be appointed as receiver for us, the receiver would have the right to transfer or sell any asset or liability of ours, without any approval, assignment or consent. If the receiver were to transfer our obligations under the Debt Agreement to another party, holders of the Notes would be exposed to the credit risk of that party.

FHFA Could Terminate the Conservatorship by Placing Us into Receivership, Which Could Adversely Affect Our Performance under the Debt Agreement

Under the Reform Act, FHFA must place us into receivership if the director of FHFA makes a determination in writing that our assets are, and for a period of 60 days have been, less than our obligations, or if we are not, and for a period of 60 days have not been, generally paying our debts as they become due. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for its quarterly or annual financial statements and would continue for sixty calendar days after that date.

The director of FHFA may also place us into receivership at his or her discretion for certain other reasons, including conditions that FHFA has already asserted existed at the time the director of FHFA placed Fannie Mae into conservatorship. A receivership would terminate the current conservatorship. If FHFA were to become our receiver, it could exercise certain powers that could adversely affect the holders of the Notes.

As receiver, FHFA could repudiate any contract entered into by us prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of our affairs. The Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver.

If FHFA, as receiver, were to repudiate our obligations under the Debt Agreement, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Reform Act. Any such liability could be satisfied only to the extent that our assets were available for that purpose.

During a receivership, certain rights of the holders of the Notes under the Debt Agreement may not be enforceable against FHFA, or enforcement of such rights may be delayed.

The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which we are a party, or obtain possession of or exercise control over any property of ours, or affect any contractual rights of ours, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver.

Fannie Mae is Dependent Upon the Support of Treasury

We are dependent upon the continued support of Treasury in order to continue operating our business. Our ability to access funds from Treasury under the Senior Preferred Stock Purchase Agreement is critical to keeping us solvent and avoiding appointment of a receiver by FHFA under statutory mandatory receivership provisions. Accordingly, in a period of government shutdown, we may be unable to access funds from Treasury, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth as well as our ability to fulfill our payment obligations with respect to the Notes. Moreover, if the U.S. Congress were to fail to raise the national debt limit, or if for any other reason Treasury were unable to satisfy in full the debt obligations of the U.S. federal government, it is possible that payments to us would be unavailable at a time when such payments were necessary to ensure that we were able to fulfill our corporate obligations, including our payment obligations with respect to the Notes. See "*Fannie Mae — Regulation and Conservatorship*."

Fannie Mae's Changes in Business Practices May Negatively Impact the Noteholders

We have a set of policies and procedures that we follow in the normal course of our mortgage loan purchase and servicing business, which are generally described in this Prospectus. Certain of these practices are subject to change over time, as a result of changes in the economic environment and as a result of regulatory changes and changes in requirements of our regulators, among other reasons. We may at any time change our servicing requirements,

quality control policies and quality assurance policies, as well as other policies and procedures as we deem appropriate in light of our then-current business needs, regardless of the resulting impact on the Noteholders. See "*Loan Acquisition Practices — Single-Family Business Overview*" in this Prospectus. In undertaking any changes to our practices or our policies and procedures, we may exercise complete discretion without regard to the impact of any such changes on the Noteholders, and may undertake changes that negatively impact the Noteholders in pursuing other interests, including, but not limited to, minimizing losses for the taxpayers and our shareholders and complying with requirements put forth by our regulators, among others.

Investment Factors and Risks Related to the Notes

Fannie Mae May Not Be Able to Repay Your Notes in Full

The Notes do not represent obligations of any person or entity other than us and do not represent a claim against any assets other than our assets. No governmental agency or instrumentality will guarantee or insure payment on the Notes. If we are unable to make payments on the Notes, no other assets will be available to you for payment of the deficiency, and you will bear the resulting loss.

Limited Source of Payments; No Recourse to Reference Obligations

The Notes are not insured by any financial guaranty insurance policy. The Notes do not represent an interest in the Reference Obligations nor an obligation of the Global Agent, the Dealers or any of their affiliates. The Notes are solely the obligations of Fannie Mae. If Fannie Mae is unable to make payments on the Notes, no other assets will be available to you for payment of the deficiency, and you will bear the resulting loss.

Credit Support Available to Corresponding Classes of Reference Tranches Pursuant to Hypothetical Structure Is Limited and May Not Be Sufficient to Prevent Loss on Your Notes

Although subordination provided by the Class M-2, Class M-2H and Class B-H Reference Tranches for the benefit of the Class M-1 and Class M-1H Reference Tranches, and by the Class B-H Reference Tranche for the benefit of the Class M-2 and Class M-2H Reference Tranches, is intended to reduce the risk of exposure of Credit Events to the Class M-1 and Class M-2 Notes, which correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, the amount of such subordination will be limited and may decline under certain circumstances described in this Prospectus.

Regardless of any subordination provided pursuant to the hypothetical structure, if we were to experience significant financial difficulties, or if FHFA were to place us in receivership and our obligation was repudiated as described above in "*Governance and Regulation — Risks Relating to Fannie Mae*," the Holders of Notes may suffer losses as a result of the various contingencies described in this "Risk Factors" section and elsewhere in this Prospectus. The Notes, including interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States.

Subordination of Corresponding Classes of Reference Tranches Increases Risk of Loss on the Notes

Once the aggregate amount of Calculated Tranche Write-down Amounts (net of the aggregate amount of Calculated Tranche Write-up Amounts allocated to the Class B-H Reference Tranche) equals the initial Class Notional Amount of the Class B-H Reference Tranche, all additional Calculated Tranche Write-down Amounts will be allocated, *first*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount; *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount; and, *third*, to the Class A-H Reference Tranche; in each case until the Class Notional Amount of each such Class is reduced to zero. Any Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of the Class M-1 or Class M-2 Reference Tranches will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable, and, in turn, investment losses to the related Noteholders.

As such, because the Class M-2 Reference Tranche is subordinate to the Class M-1 Reference Tranche, the Class M-2 Notes will be more sensitive than the Class M-1 Notes to Calculated Tranche Write-down Amounts after the Class Notional Amount of the Class B-H Reference Tranche is reduced to zero.

If a purchaser of a Class of Notes calculates its anticipated yield based on an assumed rate of Credit Events with respect to the Reference Pool that is lower than the rate actually incurred on the Reference Pool, its actual yield to maturity may be lower than that so calculated and could be negative such that such purchaser may never receive all of his initial investment. The timing of Credit Events will also affect a purchaser's actual yield to maturity, even if the average rate is consistent with the purchaser's expectations. In general, the earlier the Notes suffer a reduction in Class Principal Balance due to the application of Calculated Tranche Write-down Amounts, the greater the effect on the purchaser's yield to maturity.

For a more detailed description of the subordination feature with respect to the hypothetical structure and the Reference Tranches, see "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches*" in this Prospectus.

Significant Write-downs of the Notes That are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest

Any Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of the Class M-1 or Class M-2 Reference Tranches will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable. Any subsequent increase in the Class Principal Balance of the Class M-1 or Class M-2 Notes as a result of the reversal of Credit Events will not entitle the Holder of such Class of Notes to any interest that would otherwise have been due during any periods of reduction of the Class Principal Balance of the Class M-1 or Class M-2 Notes. Noteholders could suffer significant loss of accrued interest to the extent of any extended period between a reduction and subsequent increase of the Class Principal Balance of the Notes. Credit Events may ultimately be reversed, resulting in Calculated Tranche Write-up Amounts that write up the Class Notional Amounts of the Reference Tranches. Prior to the allocation of Calculated Tranche Write-up Amounts, the Noteholders may also be subject to a higher Applicable Severity than would be the case if either the Credit Event had never occurred or the Calculated Tranche Write-up Amounts had been allocated earlier.

LIBOR Levels Could Reduce the Yield on the Notes

Lower than anticipated levels of One-Month LIBOR could result in actual yields on the Notes that are lower than anticipated. One-Month LIBOR is not likely to remain constant at any level. The timing of a change in the level of One-Month LIBOR may affect the actual yield received, even if the average level is consistent with an investor's expectation. In general, the earlier a change in the level of One-Month LIBOR, the greater the effect on yield. As a result, the effect on the yield received due to a One-Month LIBOR that is lower (or higher) than the rate anticipated during earlier periods is not likely to be offset by a later equivalent increase (or reduction). Moreover, changes may not correlate with changes in interest rates generally or with changes in other indices. The yield could be either adversely or positively affected if changes in One-Month LIBOR do not reflect changes in interest rates generally.

On September 28, 2012, Britain's Financial Services Authority recommended that the British Bankers' Association be removed from its rate-setting responsibility and proposed additional reforms in connection with the determination of LIBOR. The parent company of the New York Stock Exchange recently won a contract to take over the administration of LIBOR. Under this new contract, LIBOR will keep its name and will remain under the oversight of British regulators but the administration of LIBOR will be turned over to the subsidiary of the New York Stock Exchange early this year. No assurance can be provided as to what effect this contract and change in administration will have on setting the applicable rates of LIBOR or what other changes may occur in the future with respect to the administration of LIBOR. In addition, no assurance can be provided that One-Month LIBOR accurately represents the offered rate applicable to loans in U.S. dollars for a one-month period between leading European banks or that LIBOR's prominence as a benchmark interest rate will be preserved. No prediction can be made as to future levels of the LIBOR index or as to the timing of any changes therein, each of which will directly affect the yields of the Notes.

Changes in the Market Value of the Notes May Not Be Reflective of the Performance or Anticipated Performance of the Reference Obligations

The market value of the Notes may be volatile. These market values can change rapidly and significantly and changes can result from a variety of factors. However, a decrease in market value may not necessarily be the result of deterioration in the performance or anticipated performance of the Reference Obligations. For example, changes in interest rates, perceived risk, supply and demand for similar or other investment products, accounting standards, capital requirements that apply to regulated financial institutions and other factors that are not directly related to the Reference Obligations can adversely and materially affect the market value of the Notes.

The Transaction May Result in Limited Liquidity of the Notes, Which May Limit Investors' Ability to Sell the Notes

The Notes will constitute classes of securities with a trading market that was established only recently. The Notes will not be listed on any national securities exchange or traded on any automated quotation systems of any registered securities association. The Dealers will have no obligation to make a market in the Notes. In addition, it is possible that FHFA will reassess its policies with respect to our credit risk transfer transactions and that any resulting changes could lead to a reduction, material alteration or cancellation of the program under which the Notes are being issued. As a result, there can be no assurance as to the liquidity of the market that may develop for the Notes, or if it does develop, that it will continue. It is possible that investors who desire to sell their Notes in the secondary market may find no or few potential purchasers and experience lower resale prices than expected. Investors who desire to obtain financing for their Notes similarly may have difficulty obtaining any credit or credit with satisfactory interest rates which may result in lower leveraged yields and lower secondary market prices upon the sale of the Notes.

We make no representation as to the proper characterization of the Notes for legal investment, regulatory, financial reporting or other purposes, as to the ability of particular investors to purchase the Notes under applicable legal investment or other restrictions or as to the consequences of an investment in the Notes for such purposes or under such restrictions. The liquidity of trading markets for the Notes may also be adversely affected by general declines or disruptions in the credit markets. Such market declines or disruptions could adversely affect the liquidity of and market for the Notes independent of the credit performance of the Reference Pool or its prospects. We have no obligation to continue to issue securities similar to the Notes. FHFA may require us to discontinue issuing such securities or require that alternative risk sharing transactions be effected, thereby affecting the development of the market for the Notes. Further, even though Fannie Mae and Freddie Mac are required to work together in implementing risk sharing transactions, the terms and structures of these transactions may be different.

Legal Investment Considerations May Restrict Certain Investors

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Investors should consult their legal advisors to determine whether and to what extent the Notes are legal investments for them, the Notes can be used as collateral for various types of borrowing, and other restrictions apply to their purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

If an investor is subject to the jurisdiction of agencies of a governmental agency of the United States or any jurisdiction outside the United States with similar authority (e.g., central banks), they should review and consider that regulator's rules, guidelines, regulations and policy statements prior to purchasing or pledging the Notes.

The Restrictions on Transfer on the Notes May Limit Investors' Ability to Sell the Notes

The Notes may be sold only to Qualified Institutional Buyers. Each prospective investor will be required to represent that it is a Qualified Institutional Buyer. See "*Distribution Arrangements — Selling Restrictions*" in this Prospectus for additional information regarding the applicable restrictions on transfer.

The Notes are also subject to restrictions to avoid certain fiduciary concerns and the potential application of the prohibited transaction rules under ERISA and Section 4975 of the Code, or, in the case of any governmental plan,

church plan or foreign plan, a violation of Similar Law. The Notes may be acquired by a Plan or persons or entities acting on behalf of, using the assets of or deemed to hold the assets of, a Plan, only if certain conditions are satisfied. See "*Certain ERISA Considerations*" in this Prospectus.

The Notes May Be Redeemed Early

The Notes may be redeemed in their entirety if we exercise our right of early redemption as described under "*Description of the Notes — Early Redemption Option*". Any such redemption may result in the receipt of principal of the Notes prior to the date anticipated by investors and may reduce prospective investors' yield or cause prospective investors to incur losses on investments in the Notes.

The Early Redemption Feature May Cause the Notes to Fluctuate in Value Based on Prevailing Interest Rates

The early redemption feature of the Notes is likely to limit their market value. During periods when we may elect to redeem the Notes, the market value generally will not rise substantially above the price at which we can redeem the Notes. This also may be true prior to any redemption period.

We may be expected to redeem the Notes when our cost of borrowing is lower than the interest rates on the Notes. Our decision to redeem or not redeem the Notes may also be impacted by any related hedge or derivative positions that we hold. If we decide to redeem the Notes, an investor in the Notes may be unable to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. The reinvestment may be at a significantly lower rate. Investors should consider reinvestment risk in light of other investments available at that time.

A Reduction, Withdrawal or Qualification of the Ratings on the Class M-1 Notes, or the Issuance of an Unsolicited Rating On the Class M-1 Notes, May Adversely Affect the Market Value of Those Notes and/or Limit an Investor's Ability to Resell Those Notes

We have engaged two NRSROs and will pay them each a fee to assign a rating on the Class M-1 Notes. We note that a NRSRO may have a conflict of interest where, as is the industry standard and the case with the ratings of the Class M-1 Notes, the sponsor or the issuer pays the fees charged by each engaged NRSRO for its ratings services. We have not engaged any other NRSRO to assign a rating on the Class M-1 Notes and are not aware that any other NRSRO has assigned a rating on the Class M-1 Notes. However, under effective SEC rules, information provided by or on behalf of us to either engaged NRSRO for the purpose of assigning or monitoring the rating on the Class M-1 Notes is required to be made available to all NRSROs in order to make it possible for non-engaged NRSROs to assign unsolicited ratings on the Class M-1 Notes. An unsolicited rating could be assigned at any time, including prior to the Closing Date, and none of Fannie Mae, the Dealers or any affiliates of the Dealers will have any obligation to inform you of any unsolicited rating assigned after the date of this Prospectus. NRSROs, including the engaged NRSROs, have different methodologies, criteria, models and requirements. If any non-engaged NRSRO assigns an unsolicited rating on the Class M-1 Notes, there can be no assurance that such rating will not be lower than the ratings provided by the engaged NRSROs, which may adversely affect the market value of the Class M-1 Notes and/or limit an investor's ability to resell the Class M-1 Notes. In addition, if we fail to make available to the non-engaged NRSROs any information provided to any engaged NRSRO for the purpose of assigning or monitoring the ratings on the Class M-1 Notes, an engaged NRSRO could withdraw its rating on the Class M-1 Notes, which may adversely affect the market value of those Notes and/or limit an investor's ability to resell the Notes. Potential investors in the Class M-1 Notes are urged to make their own evaluation of such Notes, including the credit enhancement on the Class M-1 Notes, and not to rely solely on the ratings on the Class M-1 Notes. In particular, a reduction in the credit rating of the U.S. government due to a governmental shutdown, a failure to raise the national debt limit or for any other reason, may adversely affect our credit rating and, accordingly, may have an adverse impact on the ratings of the Class M-1 Notes.

The Ratings on the Class M-1 Notes May Not Reflect All Risks

The ratings on the Class M-1 Notes may not reflect the potential impact of all risks related to the structure of, or the market for, Class M-1 Notes, or the additional factors discussed herein and other factors that may affect the value of the Class M-1 Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be

revised or withdrawn by an NRSRO. Investors should be aware that legislative, regulatory or other events involving Fannie Mae could negatively impact the ratings of the Class M-1 Notes.

The Class M-2 Notes Will Not Be Rated by any Engaged NRSRO on the Closing Date

We have not engaged any NRSRO to rate the Class M-2 Notes on the Closing Date and we have no obligation to do so in the future. The lack of a rating reduces the potential liquidity of the Class M-2 Notes and thus may affect the market value of the Class M-2 Notes. In addition, the lack of a rating will reduce the potential for, or increase the cost of, financing the purchase and/or holding of the Class M-2 Notes. Investors subject to capital requirements may be required to hold more capital against the Class M-2 Notes than would have been the case had such Class of Notes been rated. An unsolicited rating could be assigned to the Class M-2 Notes at any time, including prior to the Closing Date, and none of us, the Dealers or any affiliates of the Dealers will have any obligation to inform you of any such unsolicited rating. In addition, if in the future we were to issue notes similar to the Class M-2 Notes or other securities under an alternative risk sharing arrangement, we may seek to have such securities rated by one or more NRSROs. As a result, the marketability of the Class M-2 Notes may be impaired because they are not so rated.

Investors Have No Direct Right to Enforce Remedies

Noteholders generally do not have the right to institute any suit, action or proceeding in equity or at law under the Debt Agreement.

These provisions may limit your personal ability to enforce the provisions of the Debt Agreement. In no event will the Noteholders have the right to direct Fannie Mae to investigate or review whether or not a defect or deficiency exists with respect to any Reference Obligation. In addition, Fannie Mae will have the sole discretion to determine whether to undertake such investigation or review, upon taking such investigation or review, whether Fannie Mae deems any findings to be material, and upon concluding that a finding is material whether to require the related loan seller or servicer to repurchase the Reference Obligation, to enter into a repurchase settlement in respect of the Reference Obligation, and if so, for how much, or whether to waive the loan seller's or servicer's requirement to repurchase the Reference Obligation.

An Event of Default will not automatically trigger an acceleration of the Notes. In order for the Notes to be accelerated upon an Event of Default, Noteholders representing not less than 50% of the outstanding Class Principal Balance of the Notes to which such Event of Default relates, must vote to enforce remedies to make such Notes immediately due and payable. To the extent that such vote does not occur, you will have no remedies upon an Event of Default. Noteholders may not be successful in obtaining the required percentage of votes required because it may be difficult to locate other investors to facilitate achieving the required voting thresholds.

One or more purchasers of Notes may purchase substantial portions of one or both Classes of Notes. If any Noteholder or group of Noteholders holds more than 50% of the aggregate voting interests of the Notes and disagrees with any proposed action, suit or proceeding requiring consent of more than 50% of the aggregate voting interests of the Notes, that Noteholder or group of Noteholders may block the proposed action, suit or proceeding. In some circumstances, the holders of a specified percentage of the Notes will be entitled to direct, consent to or approve certain actions. In these cases, this direction, consent or approval will be sufficient to bind all holders of Notes, regardless of whether you agree with such direction, consent or approval.

Legality of Investment

Each prospective investor in the Notes is responsible for determining for itself whether it has the legal power, authority and right to purchase such Notes. None of us, the Global Agent, any Dealer or any of our or their respective affiliates expresses any view as to any prospective investor's legal power, authority or right to purchase the Notes. Prospective investors are urged to consult their own legal, tax and accounting advisors as to such matters. See "*Legal Investment*" in this Prospectus for additional information.

Rights of Note Owners May Be Limited by Book-Entry System

The Notes will be issued as book-entry Notes (the "**Book-Entry Notes**") and will be held through the book-entry system of the DTC, and, as applicable, Euroclear and Clearstream. Transactions in the Book-Entry

Notes generally can be effected only through DTC and Participants (including Euroclear and Clearstream or their respective nominees or depositaries). As a result:

- investors' ability to pledge the Notes to entities that do not participate in the DTC, Euroclear or Clearstream system, or to otherwise act with respect to the Notes, may be limited due to the lack of a physical certificate for such Notes;
- under a book-entry format, an investor may experience delays in the receipt of payments, because payments will be made by the Global Agent to DTC, Euroclear or Clearstream and not directly to an investor;
- investors' access to information regarding the Notes may be limited because transmittal of notices and other communications by DTC to its participating organizations and directly or indirectly through those participating organizations to investors will be governed by arrangements among them, subject to applicable law; and
- you may experience delays in your receipt of payments on book-entry Notes in the event of misapplication of payments by DTC, DTC participants or indirect DTC participants or bankruptcy or insolvency of those entities, and your recourse will be limited to your remedies against those entities.

For a more detailed discussion of the Book-Entry Notes, see "*Description of The Notes — Form, Registration and Transfer of the Notes*" in this Prospectus.

Tax Characterization of the Notes

There is no authority that directly addresses the proper treatment of instruments such as the Notes for U.S. federal income tax purposes. On the Closing Date, we will receive an opinion from Hunton & Williams LLP, our special U.S. federal tax counsel, to the effect that, although the matter is not free from doubt, the Notes will be treated as indebtedness for U.S. federal income tax purposes. This opinion will be based on certain representations and covenants of ours and will assume compliance with the Debt Agreement and other relevant transaction documents. Opinions of counsel are not a guarantee of any particular U.S. federal income tax result and are not binding on the Internal Revenue Service (the "**IRS**"), the courts or any other third party.

If the IRS were to successfully contend that any Class of Notes were not debt instruments for U.S. federal income tax purposes, but instead were properly characterized as an equity security, a derivative or some other form of financial instrument issued by us for U.S. federal income tax purposes, the amount, timing and character of the income and other tax items reportable by the Holders of reclassified Notes could differ materially from the amount, timing and character of the income and other tax items reportable by such Holders if the Notes were respected as indebtedness for U.S. federal income tax purposes. Moreover, in the event of such a recharacterization, payments representing income on the Notes held by non-U.S. Persons could be subject to U.S. withholding tax. We and each Holder and beneficial owner, by acceptance of a Note, will agree to treat such Note as indebtedness of Fannie Mae for all U.S. federal income tax purposes unless otherwise required by applicable law. See "*Certain United States Federal Tax Consequences*" in this Prospectus.

ERISA Considerations

Each person purchasing the Notes (or a beneficial interest therein) will make or will be deemed to make certain representations and warranties regarding the prohibited transaction rules of ERISA, Section 4975 of the Code and the applicable provisions of Similar Law. Fiduciaries and other persons contemplating investing "plan assets" of Plans in such Notes should consider the fiduciary investment standards and prohibited transaction rules of ERISA, Section 4975 of the Code, Similar Law, and the applicable provisions of any other applicable laws before authorizing an investment of the plan assets of any Plan in such Notes. See "*Certain ERISA Considerations*" in this Prospectus.

Downgrade of Long-term Ratings of Eurozone Nations and the United States May Adversely Affect the Market Value of the Notes

In response to the economic situation facing the European Economic and Monetary Union, or Eurozone, based on factors including tightening credit conditions, higher risk premiums on Eurozone sovereigns and disagreement among European policy makers as to how best to address the declining market confidence with respect to the Eurozone, on January 13, 2012, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), downgraded the long-term credit ratings on nine members of the Eurozone, including Austria, Cyprus, France, Italy, Malta, Portugal, Slovakia, Slovenia and Spain.

On August 5, 2011, S&P lowered the long-term sovereign credit rating of U.S. Government debt obligations from AAA to AA+. On August 8, 2011, S&P also downgraded the long-term credit ratings of U.S. government-sponsored enterprises, including Fannie Mae. These actions initially had an adverse effect on financial markets and although we are unable to predict the longer-term impact on such markets and the participants therein, it might be materially adverse to the value of the Notes.

The Interests of Fannie Mae, the Dealers and Others May Conflict With and Be Adverse to the Interests of the Noteholders

Interests of Fannie Mae May Not Be Aligned With the Interests of the Noteholders

In conducting our business, including the acquisition, financing and securitization of mortgage loans, we maintain ongoing relationships with our loan sellers. As a result, while we may have contractual rights to enforce obligations that our loan sellers may have, we may elect not to do so or we may elect to do so in a way that serves our own interests (including, but not limited to, working with our regulators toward housing policy objectives, maintaining strong ongoing relationships with our loan sellers and maximizing the interests of taxpayers and our shareholders) without taking into account the interests of the Noteholders. In certain instances, we may, or our regulators may, have outstanding disputes or litigation with our loan sellers or servicers. We cannot assure you that the existence of any prior, current or future disputes or litigation will not impact the manner in which we act in the future.

Our interests, as owner or guarantor of the Reference Obligations or MBS backed by the Reference Obligations, as the party directing our quality control process for reviewing mortgage loans or as master servicer, may be adverse to the interests of the Noteholders. The effect of the Notes being linked to the Reference Pool and the corresponding Classes of Reference Tranches established pursuant to the hypothetical structure is that we are transferring certain credit risk that we bear with respect to the Reference Pool to the extent that the Class Principal Balances of the Notes are subject to being written down as described in this Prospectus. We, in any of our capacities with respect to the Notes or the Reference Obligations, are not obligated to consider the interests of the Noteholders in taking or refraining from taking any action. Such action may include revising provisions of the Servicing Guide to provide for alternative modification programs or to provide less or more stringent servicing requirements. See "*Risks Relating to the Notes Being Linked to the Reference Pool — Servicers May Not Follow the Requirements of Our Servicing Guide and Servicing Standards May Change Periodically*" above. In implementing new provisions in the Servicing Guide, we do not differentiate between Reference Obligations and mortgage loans that are not in the Reference Pool. In addition, in connection with our role as Issuer of the Notes, we will be acting solely for our own benefit and not as agent or fiduciary on behalf of investors in the Notes. Also, there is no independent third party engaged with respect to the Notes to monitor and supervise our activities as Issuer of the Notes.

Potential Conflicts of Interest of the Dealers and their Affiliates

The activities of the Dealers and their respective affiliates may result in certain conflicts of interest. The Dealers and their affiliates may retain, or own in the future, Classes of Notes, and any voting rights of those Classes could be exercised by them in a manner that could adversely impact the Notes. The Dealers and their affiliates may invest or take long or short positions in securities or instruments, including the Notes, that may be different from your position as an investor in the Notes. If that were to occur, such Dealer's or its affiliate's interests may not be aligned with your interests in Notes you acquire.

The Dealers and their respective affiliates include broker-dealers whose business includes executing securities and derivative transactions on their own behalf as principals and on behalf of clients. Accordingly, the Dealers and their respective affiliates and clients acting through them from time to time buy, sell or hold securities or other instruments, which may include one or more Classes of the Notes, and do so without consideration of the fact that the Dealers acted as Dealers for the Notes. Such transactions may result in the Dealers and their respective affiliates and/or their clients having long or short positions in such instruments. Any such short positions will increase in value if the related securities or other instruments decrease in value. Further, the Dealers and their respective affiliates may (on their own behalf as principals or for their clients) enter into credit derivative or other derivative transactions with other parties pursuant to which they sell or buy credit protection with respect to one or more of the Notes. The positions of the Dealers and their respective affiliates or their clients in such derivative transactions may increase in value if the Notes default or decrease in value. In conducting such activities, none of the Dealers or their respective affiliates will have any obligation to take into account the interests of the Holders of the Notes or any possible effect that such activities could have on them. The Dealers and their respective affiliates and clients acting through them may execute such transactions, modify or terminate such derivative positions and otherwise act with respect to such transactions, and may exercise or enforce, or refrain from exercising or enforcing, any or all of their rights and powers in connection therewith, without regard to whether any such action might have an adverse effect on the Notes or the Holders of the Notes. Additionally, none of the Dealers and their respective affiliates will have any obligation to disclose any of these securities or derivatives transactions to you in your capacity as a Holder of a Note.

To the extent the Dealers or one of their respective affiliates makes a market in the Notes (which they are under no obligation to do), they would expect to receive income from the spreads between their bid and offer prices for the Notes. In connection with any such activity, they will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions and activities based on the potential effect on an investor in the Notes. The prices at which the Dealers or one of their respective affiliates may be willing to purchase the Notes, if they make a market for the Notes, will depend on market conditions and other relevant factors and may be significantly lower than the issue prices for the Notes and significantly lower than the prices at which they may be willing to sell the Notes.

Furthermore, the Dealers expect that a completed offering will enhance their ability to assist clients and counterparties in transactions related to the Notes and in similar transactions (including assisting clients in additional purchases and sales of the Notes and hedging transactions). The Dealers expect to derive fees and other revenues from these transactions. In addition, participating in a successful offering and providing related services to clients may enhance the Dealers' relationships with various parties, facilitate additional business development and enable them to obtain additional business and to generate additional revenue.

None of the Dealers and their respective affiliates will have any obligation to monitor the performance of the Notes or our actions, the loan sellers or servicers, the Global Agent or any other transaction party and will have no authority to advise any such party or to direct their actions.

Potential Conflicts of Interest of the Global Agent

Wells Fargo Bank, in addition to acting as Global Agent, is the originator, loan seller and/or servicer with respect to certain of the Reference Obligations and, in such capacities, its interests with respect to the Reference Obligations may be adverse to the interests of the Noteholders. In its roles as originator, loan seller and/or servicer, Wells Fargo Bank is not obligated to consider the interests of the Noteholders in taking or refraining from taking any action. Wells Fargo Bank also expects to continue to act as an originator, loan seller and servicer for mortgage loans that are not included in the Reference Pool.

There May Be Conflicts of Interest Between the Classes of Notes

There may be conflicts of interest between the Classes of Notes due to differing payment priorities and terms. Investors in the Notes should consider that certain decisions may not be in the best interests of each Class of Notes and that any conflict of interest among different Noteholders may not be resolved in favor of investors in the Notes. For example, Noteholders may exercise their voting rights so as to maximize their own interests, resulting in certain actions and decisions that may not be in the best interests of different Noteholders.

Combination or "Layering" of Multiple Risk Factors May Significantly Increase the Risk of Loss on Your Notes

Although the various risks discussed in this Prospectus are generally described separately, prospective investors in the Notes should consider the potential effects on the Notes of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss on your Notes may be significantly increased. In considering the potential effects of layered risks, you should carefully review the descriptions of the Reference Obligations and the Notes. See "*The Reference Obligations*" and "*Description of the Notes*" in this Prospectus.

DESCRIPTION OF THE NOTES

General

On the Closing Date, we expect to issue two Classes of Notes; the Class M-1 and Class M-2 Notes. The Notes will be issued pursuant to a Debt Agreement (the "**Debt Agreement**") to be dated as of the Closing Date. Under a Global Agency Agreement (the "**Global Agency Agreement**") to be dated as of the Closing Date between us and the Global Agent, Wells Fargo Bank will act as paying agent, registrar, transfer agent and authenticating agent. See "*The Agreements*" in this Prospectus.

The Notes are our unsecured general obligations and are structured to be subject to the performance of the Reference Obligations. The transaction is designed to furnish credit protection to us with respect to Reference Obligations that become 180 days or more delinquent or as to which certain other Credit Events occur. The Notes will be subject to write-down of their Class Principal Balances based on the occurrence of Credit Events with respect to the Reference Obligations. The amount by which the Class Principal Balances of the Notes are written down is based on a tiered severity related to the Net Credit Event Amount of the Reference Obligations as of the related Payment Date. See "*— Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Calculated Tranche Write-down Amounts*".

The principal payment characteristics of the Notes have been designed so that the Notes amortize based on the collections of principal payments on the Reference Obligations. The Notes will not be entitled to principal payments based on Unscheduled Principal collections received on the Reference Pool unless the Minimum Credit Enhancement Test is satisfied for the related Payment Date. Unlike securities in a senior/subordinate private label residential mortgage-backed securitization, the principal payments required to be paid by us on the Notes will be based in part on Scheduled Principal that is collected on the Reference Pool, rather than on scheduled payments due on the Reference Obligations, as described under "*— Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" in this Prospectus. In other words, to the extent that there is a delinquent borrower who misses a payment (or makes only a partial scheduled payment) on a Reference Obligation, we will not make principal payments on the Notes based on the amount that was due on such Reference Obligation; instead, we will only make principal payments on the Notes based on Scheduled Principal and Unscheduled Principal actually collected on such Reference Obligation and any Calculated Recovery Principal. Investors should make their own determination as to the effect of these features on the Notes.

For the avoidance of doubt, under no circumstances will the actual cash flow from the Reference Obligations be paid to or otherwise be made available to the Holders of the Notes. We will make monthly payments of accrued interest to the Holders of the Notes. The amounts of principal payments required to be paid by us on the Notes each month will be based on the amount of principal collected in respect of the Reference Obligations as further described in this Prospectus.

Form, Registration and Transfer of the Notes

The Notes will be represented by global notes in book-entry form (the "**Book-Entry Notes**") and will be available in fully-registered form (such form, the "**Definitive Notes**") only in limited circumstances described below.

The table below sets forth the original Note form, the minimum denomination and the incremental denomination of the Notes. The Notes are not intended to be and should not be directly or indirectly held or

beneficially owned in amounts lower than such minimum denominations. A single Note of each Class may be issued in an amount different (but not less) than the minimum denomination described below.

Form and Denominations of Notes

<u>Class</u>	<u>Original Form</u>	<u>Minimum Denomination</u>	<u>Incremental Denomination</u>
Class M-1 Notes	Book-Entry	\$10,000	\$1
Class M-2 Notes	Book-Entry	\$10,000	\$1

The Global Agent will initially serve as paying agent, note registrar and transfer agent for purposes of making calculations and payments with respect to the Notes and providing for registration, transfers and exchanges of the Notes. In addition, we will perform certain reporting and other administrative functions.

Book-Entry Notes. Persons acquiring beneficial ownership interests in the Book-Entry Notes ("**Note Owners**") will hold such Notes through The Depository Trust Company ("**DTC**") in the United States and Clearstream or Euroclear outside the United States, if they are participants of such systems (the "**Participants**"), or indirectly through organizations which are participants in such systems (the "**Indirect Participants**"). Each Class of Book-Entry Notes initially will be represented by one or more physical certificates registered in the name of Cede & Co., the nominee of DTC. Investors may hold such beneficial interest in the Book-Entry Notes in minimum denominations of \$10,000 and incremental denominations of \$1 in excess thereof. Except as described below, no Note Owner will be entitled to receive a Definitive Note. Unless and until Definitive Notes are issued, it is anticipated that the only Noteholder of the Book-Entry Notes will be Cede & Co., as nominee of DTC. Note Owners will not be Noteholders as that term is used in the Debt Agreement. Note Owners are only permitted to exercise their rights indirectly through Participants, Indirect Participants, Clearstream, Euroclear and DTC.

The Global Agent or another designated institution will act as the custodian for Book-Entry Notes on DTC and as the "**Common Depository**" for Book-Entry Notes which clear and settle through Euroclear and Clearstream.

A Note Owner's ownership of a Book-Entry Note will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "**Financial Intermediary**") that maintains the Note Owner's account for such purpose. In turn, the Financial Intermediary's ownership of such Book-Entry Note will be recorded on the records of DTC (or of a participating firm that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the Note Owner's Financial Intermediary is not a Participant but rather an Indirect Participant), and on the records of Clearstream or Euroclear, and their respective Participants or Indirect Participants, as applicable.

Note Owners will receive all payments of principal and interest on the Book-Entry Notes from the Global Agent through DTC (and Clearstream or Euroclear, as applicable) and Participants. While the Book-Entry Notes are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Book-Entry Notes and is required to receive and transmit payments of principal of, and interest on, the Book-Entry Notes. Participants and Indirect Participants with whom Note Owners have accounts with respect to Book-Entry Notes are similarly required to make book-entry transfers and receive and transmit such payments on behalf of their respective Note Owners. Accordingly, although Note Owners will not possess certificates representing their respective interests in the Book-Entry Notes, the Rules provide a mechanism by which Note Owners will receive payments and will be able to transfer their interest. It is expected that payments by Participants and Indirect Participants to Note Owners will be governed by such standing instructions and customary practices. However, payments of principal and interest in respect of such Book-Entry Notes will be the responsibility of the applicable Participants and Indirect Participants and will not be the responsibility of DTC (or Clearstream or Euroclear, as applicable), the Issuer or the Global Agent once paid or transmitted by them.

As indicated above, Note Owners will not receive or be entitled to receive certificates representing their respective interests in the Book-Entry Notes, except under the limited circumstances described below. Unless and until Definitive Notes are issued, Noteholders who are not Participants may transfer ownership of Book-Entry Notes only through Participants and Indirect Participants by instructing such Participants and Indirect Participants to

transfer Book-Entry Notes, by book-entry transfer, through DTC (or Clearstream or Euroclear, as applicable), for the account of the purchasers of such Book-Entry Notes, which account is maintained with their respective Participants and Indirect Participants. Under the Rules and in accordance with DTC's normal procedures, transfers of ownership of Book-Entry Notes will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and Indirect Participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Note Owners.

The laws of some states require that certain persons take physical delivery of securities in definitive certificated form. Consequently, this may limit a Note Owner's ability to transfer its interests in a Book-Entry Note to such persons. Because DTC can only act on behalf of its Participants, the ability of an owner of a beneficial interest in a Book-Entry Note to pledge such interest to persons or entities that are not DTC Participants, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for such interest. In addition, issuance of the Book-Entry Notes in book-entry form may reduce the liquidity of such Notes in the secondary market because certain prospective investors may be unwilling to purchase Notes for which they cannot obtain a physical certificate.

Because of time zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated as of the next business day for Clearstream and Euroclear following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the next business day for Clearstream and Euroclear following settlement in DTC.

Subject to compliance with the transfer restrictions applicable to the Book-Entry Notes set forth above, transfers between Participants will occur in accordance with the Rules. Transfers between Clearstream Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures.

DTC, which is a New York-chartered limited purpose trust company, performs services for its Participants, some of which (or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC Participant in the Book-Entry Notes, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Notes will be subject to the Rules, as in effect from time to time. Note Owners will not receive written confirmation from DTC of their purchase, but each Note Owner is expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the Note Owner entered into the transaction.

Clearstream Banking société anonyme, 42 Avenue JF Kennedy, L-1855, Luxembourg ("**Clearstream**"), is a subsidiary of Clearstream International ("**Clearstream International**"), a Luxembourg limited liability company formed in January 2000 through the merger of Cedel International and Deutsche Boerse Clearing, a subsidiary of Deutsche Boerse AG. In July 2002, Deutsche Boerse AG acquired Cedel International and its 50% ownership of Clearstream International. Clearstream is registered as a bank in Luxembourg, and as such is subject to supervision by the Luxembourg Financial Sector Supervisory Commission, which supervises Luxembourg banks.

Clearstream holds securities for its customers ("**Clearstream Participants**") and facilitates the clearance and settlement of securities transactions by electronic book-entry transfers between their accounts. Clearstream provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries through established depository and custodial relationships. Clearstream has established an electronic bridge with Euroclear Banks S.A./N.V. as the Euroclear Operator in Brussels to facilitate settlement of trades between systems.

Clearstream International's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream International's United States customers are limited to securities brokers and dealers and banks. Currently, Clearstream International offers settlement and custody services to more than two thousand five hundred (2,500) customers world-wide, covering one hundred fifty thousand (150,000) domestic and internationally traded bonds and equities. Clearstream offers one of the most comprehensive international securities services available, settling more than two hundred fifty

thousand (250,000) transactions daily. Indirect access to Clearstream is available to other institutions which clear through or maintain custodial relationship with an account holder of Clearstream.

The Euroclear System ("**Euroclear**") was created in 1968 to hold securities for its participants ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in a variety of currencies, including United States dollars. Euroclear includes various other securities, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. (the "**Euroclear Operator**"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Operator. Euroclear plc establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

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

Payments on the Book-Entry Notes will be made on each Payment Date by the Global Agent to Cede & Co., as nominee of DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC Participants in accordance with DTC's normal procedures. Each DTC Participant will be responsible for disbursing such payments to the Note Owners of the Book-Entry Notes that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the Note Owners of the Book-Entry Notes that it represents.

Under a book-entry format, Note Owners may experience some delay in their receipt of payments, since such payments will be forwarded by the Global Agent to Cede & Co. Payments with respect to Notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the Common Depository. Such payments will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See "*Certain United States Federal Tax Consequences — Information Reporting and Backup Withholding*" in this Prospectus.

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

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Notes among DTC Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or modified at any time. Neither Fannie Mae nor the Global Agent will have any responsibility for the performance by any system or their respective direct or Indirect Participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Neither we nor the Global Agent will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Notes held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. In the event of the insolvency of DTC, a Participant or an Indirect Participant of DTC in whose name Book-Entry Notes are registered, the ability of the Note Owners of such Book-Entry Notes to obtain timely payment and, if the limits of applicable insurance coverage by the Securities Investor Protection Corporation are exceeded or if such coverage is otherwise unavailable, ultimate payment, of amounts distributable with respect to such Book-Entry Notes may be impaired.

Definitive Notes. Definitive Notes will be issued to Note Owners of the Book-Entry Notes, or their nominees, rather than to DTC, only if (a) DTC or we advise the Global Agent in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depository with respect to the Book-Entry Notes and we are unable to locate a qualified successor, (b) after the occurrence of an Event of Default under the Debt Agreement, Note Owners having voting rights aggregating not less than a majority of all voting rights evidenced by the Book-Entry Notes advise the Global Agent and DTC through the Financial Intermediaries and the DTC Participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the best interests of such Note Owners or (c) in the case of a particular Book-Entry Note, if all of the systems through which it is cleared or settled are closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or are permanently closed for business or have announced an intention to permanently cease business and in any such situations we are unable to locate a single successor within 90 calendar days of such closure. Upon the occurrence of any of the events described in the immediately preceding sentence, the Global Agent will be required to notify all applicable Note Owners of the occurrence of such event and the availability of Definitive Notes. Upon surrender by DTC of the global security or securities representing such Book-Entry Notes and instructions for re-registration, we will issue Definitive Notes and thereafter the Global Agent will recognize the owners of such Definitive Notes as Noteholders under the Debt Agreement. Such Definitive Notes may also bear additional legends that we deem advisable. None of the Notes will ever be issuable in bearer form.

Any portion of an interest in such a Book-Entry Note transferred or exchanged will be executed, authenticated and delivered only in the required minimum denomination as set forth herein. A Definitive Note delivered in exchange for an interest in such a Book-Entry Note will bear the applicable legend set forth in the applicable exhibits to the Debt Agreement and will be subject to the transfer restrictions referred to in such applicable legends and any additional transfer restrictions as may from time to time be adopted by us and the Global Agent.

The holders of the Definitive Notes will be able to transfer or exchange the Definitive Notes, by surrendering them at the office of the Global Agent together with the form of transfer endorsed thereon duly completed and executed, and otherwise in accordance with the provisions of the Debt Agreement, and in exchange therefor one or more new Definitive Notes will be issued having an aggregate Class Principal Balance equal to the remaining Class Principal Balance of the Definitive Notes transferred or exchanged.

The Global Agent will keep in a note register the records of the ownership, exchange and transfer of Definitive Notes. No service charge will be imposed for any registration of transfer or exchange of a Definitive Note, but the Global Agent may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith.

Payments

Payments on the Notes will be made by the Global Agent, as paying agent, on the twenty-fifth (25th) day of each month (or, if such day is not a Business Day, then on the next succeeding Business Day), beginning in February 2014 (each, a "**Payment Date**"), to the persons in whose names such Notes are registered as of the close of business on the immediately preceding Business Day in the case of Book-Entry Notes and as of the close of business on the last day of the preceding month of such Payment Date in the case of Definitive Notes (the "**Record Date**"). A "**Business Day**" means a day other than:

- A Saturday or Sunday.

- A day on which the corporate trust offices of the Global Agent (currently located at 9062 Old Annapolis Road, Columbia, Maryland 21045, Attention: FNMA 2014-C01), the offices of DTC, the Federal Reserve Bank of New York or banking institutions in the City of New York are authorized or obligated by law or executive order to be closed.

Payments on each Payment Date will be made by wire transfer in immediately available funds to each Noteholder's account at a bank or other depository institution having appropriate wire transfer facilities. Cede & Co. will be the registered holder of the Notes. However, the final payment on any Note will be made in like manner only upon presentation and surrender of such Note at the offices of the Corporate Trust Services division of the Global Agent located at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: FNMA 2014-C01 or as otherwise indicated on the relevant notice thereof. Payments will be made to Note Owners through the facilities of DTC, as described above under "*Form, Registration and Transfer of the Notes*".

Payments on the Notes are to be made by the Global Agent without deduction or withholding of taxes, except as otherwise required by law. The Notes will not provide for any gross-up payments in the case that payments on the Notes become subject to any deduction or withholding on account of taxes.

Maturity Date

The Maturity Date for the Notes will be the Payment Date in January 2024.

Early Redemption Option

We may redeem the Notes prior to the Maturity Date on any Payment Date on or after the Payment Date on which the aggregate unpaid principal balance of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance of the Reference Obligations, by paying an amount equal to the outstanding Class Principal Balance of each Class of Notes, plus accrued and unpaid interest and any unpaid fees and expenses of the Global Agent (the "**Early Redemption Option**").

Termination Date

This transaction will terminate and the Notes will no longer be outstanding upon the date (the "**Termination Date**") which is the earlier of:

- the Maturity Date;
- the Early Redemption Date (which is the Payment Date on which the Notes are redeemed by Fannie Mae pursuant to its Early Redemption Option as described above under "*Early Redemption Option*"); and
- the Payment Date on which the initial Class Principal Balance (without giving effect to any allocations of Calculated Tranche Write-down Amounts or Calculated Tranche Write-up Amounts on such Payment Date and all prior Payment Dates) and accrued and unpaid interest due on the Class M-1 and Class M-2 Notes have been paid in full.

Interest

The Class Coupon and Accrual Period for each Class of Notes for each Payment Date is as described in the "*Summary of Terms — Interest*".

The Global Agent calculates the Class Coupons for each Accrual Period (after the first Accrual Period) on the second LIBOR Business Day before the Accrual Period begins (a "**LIBOR Adjustment Date**"). "**LIBOR Business Day**" is a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C. The Global Agent determines "**One-Month LIBOR**" by using the "**Interest Settlement Rate**" for U.S. dollar deposits with a maturity of one month set by the British Bankers' Association (the "**BBA**") as of 11:00 a.m. (London time) on the LIBOR Adjustment Date (the "**BBA Method**"). See "*Risk Factors — Investment Factors and Risks Related to the Notes — LIBOR Levels Could Reduce the Yield on Your Notes*".

The BBA's Interest Settlement Rates are currently displayed on Bloomberg L.P.'s page "BBAM". That page, or any other page that may replace page BBAM on that service or any other service the BBA nominates as the information vendor to display the BBA's Interest Settlement Rates for deposits in U.S. dollars, is a "**Designated Page**". The BBA's Interest Settlement Rates currently are rounded to five decimal places.

If the BBA's Interest Settlement Rate does not appear on the Designated Page as of 11:00 a.m. (London time) on a LIBOR Adjustment Date, or if the Designated Page is not then available, One-Month LIBOR for that date will be the most recently published Interest Settlement Rate. If the BBA no longer sets an Interest Settlement Rate, we will designate an alternative index taking into account general comparability to the BBA's Interest Settlement Rate and other factors. However, in such case, we can provide no assurance that the alternative index will yield the same or similar economic results over the lives of the Notes.

On each Payment Date, each Class of Notes to the extent outstanding, will be entitled to receive interest accrued during the related Accrual Period at the applicable Class Coupon on the related Class Principal Balance as of the first (1st) day of such Accrual Period.

Accrued interest to be paid on any Payment Date will be calculated for each Class of Notes on the basis of the Class Principal Balance of the related Class immediately prior to such Payment Date. Interest will be calculated and payable on the basis of the actual number of days in the related Accrual Period and a 360-day year.

The determination by Fannie Mae or the Global Agent of the Class Coupon on the Notes and the determination of any payment on any Note (or any interim calculation in the determination of any such interest rate, index or payment) will, absent manifest error, be final and binding on the Noteholders of the relevant Notes.

Principal

On the Maturity Date or, if we exercise our Early Redemption Option, the final Payment Date applicable in connection therewith, Fannie Mae will pay 100% of the Class Principal Balance as of such date for each Class of Notes after allocation of the Calculated Tranche Write-up Amounts and Calculated Tranche Write-down Amounts for such Payment Date. On all other Payment Dates, Fannie Mae will pay principal on each Class of Notes in an amount equal to the portion of the Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to reduce the Class Notional Amount of the corresponding Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below.

Reductions in Class Principal Balances of the Notes Due to Allocation of Calculated Tranche Write-down Amounts

On each Payment Date on or prior to the Termination Date, the Class Principal Balance of each Class of Notes will be reduced, without any corresponding payment of principal, by the amount of the reduction, if any, in the Class Notional Amount of the corresponding Class of Reference Tranche due to the allocation of the Calculated Tranche Write-down Amount to such Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below.

Increases in Class Principal Balances of the Notes Due to Allocation of Calculated Tranche Write-up Amounts

On each Payment Date on or prior to the Termination Date, the Class Principal Balance of each Class of Notes will be increased by the amount of the increase, if any, in the Class Notional Amount of the corresponding Class of Reference Tranche due to the allocation of the Calculated Tranche Write-up Amount to such Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below.

Hypothetical Structure and Calculations with Respect to the Reference Tranches

Solely for purposes of making the calculations for each Payment Date of principal write-downs (or write-ups) on the Notes as a result of Credit Events (or reversals thereof) on the Reference Obligations and principal payments required to be made on the Notes by Fannie Mae, a hypothetical structure of six (6) classes of Reference Tranches (the Class A-H, Class M-1, Class M-1H, Class M-2, Class M-2H and Class B-H Reference Tranches) deemed to be backed by the Reference Pool has been established as indicated in the table set forth under "*Transaction Summary*". Pursuant to the hypothetical structure, the Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches. The Class M-1 and Class M-1H Reference Tranches are *pro rata* with each other and are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2, Class M-2H and Class B-H Reference Tranches. The Class M-2 and Class M-2H Reference Tranches are *pro rata* with each other and are subordinate to the Class A-H, Class M-1 and Class M-1H Reference Tranches and are senior to the Class B-H Reference Tranche. The Class B-H Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement. Each Class of Reference Tranche will have the initial Class Notional Amount indicated in the table set forth under "*Transaction Summary*" and the aggregate of the initial Class Notional Amounts of all the Reference Tranches will equal the Cut-off Date Balance of the Reference Pool.

Allocation of Senior Reduction Amount and Subordinate Reduction Amount

On each Payment Date on or prior to the Termination Date, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class A-H Reference Tranche,
- (ii) *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iii) *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and
- (iv) *fourth*, to the Class B-H Reference Tranche.

On each Payment Date on or prior to the Termination Date, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (ii) *second*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iii) *third*, to the Class B-H Reference Tranche, and
- (iv) *fourth*, to the Class A-H Reference Tranche.

Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a requirement of Fannie Mae to make a corresponding payment of principal to the Class M-1 or Class M-2 Notes, as applicable.

The "**Senior Reduction Amount**" with respect to any Payment Date is either:

- (A) if the Minimum Credit Enhancement Test is not satisfied, the sum of:
 - (i) the Senior Percentage of the Scheduled Principal for such Payment Date;

- (ii) 100% of the Unscheduled Principal for such Payment Date; and
 - (iii) 100% of the Calculated Recovery Principal for such Payment Date; or
- (B) if the Minimum Credit Enhancement Test is satisfied, the sum of:
- (i) the Senior Percentage of the Scheduled Principal for such Payment Date;
 - (ii) the Senior Percentage of the Unscheduled Principal for such Payment Date; and
 - (iii) 100% of the Calculated Recovery Principal for such Payment Date.

The "**Subordinate Reduction Amount**" with respect to any Payment Date is the sum of the Scheduled Principal, Unscheduled Principal and Calculated Recovery Principal for such Payment Date, less the Senior Reduction Amount.

The "**Senior Percentage**" with respect to any Payment Date is the percentage equivalent of a fraction, the numerator of which is the Class Notional Amount of the Class A-H Reference Tranche immediately prior to such Payment Date and the denominator of which is the aggregate unpaid principal balance of the Reference Obligations at the end of the previous Reporting Period.

The "**Subordinate Percentage**" with respect to any Payment Date is the percentage equal to 100% *minus* the Senior Percentage for such Payment Date.

"**Scheduled Principal**" with respect to any Payment Date is the sum of all monthly scheduled payments of principal due (whether with respect to the related Reporting Period or any prior Reporting Period) on the Reference Obligations and reported to Fannie Mae and collected by the related servicer during the related Reporting Period.

"**Unscheduled Principal**" with respect to any Payment Date is the sum of:

(a) all partial principal prepayments on the Reference Obligations collected during the related Reporting Period, *plus*

(b) the aggregate unpaid principal balance of all Reference Obligations that became Reference Pool Removals during the related Reporting Period other than (i) Credit Event Reference Obligations and (ii) the portions of any prepayments in full that consist of scheduled principal collections, *plus*

(c) negative adjustments in the unpaid principal balance of all Reference Obligations as the result of loan modifications or data corrections, *plus*

(d) all scheduled principal collections, if any, for any Reference Obligations that have been removed from the related MBS, *minus*

(e) positive adjustments in the unpaid principal balance of all Reference Obligations as the result of loan modifications or data corrections.

In the event the amount in clause (e) above exceeds the sum of the amounts in clauses (a), (b), (c) and (d) above, the Unscheduled Principal for the applicable Payment Date will be zero, and the Class Notional Amount for the Class A-H Reference Tranche will be increased by the amount that the amount in clause (e) above exceeds the sum of the amounts in clauses (a), (b), (c) and (d) above. In the event that the Class Notional Amount for the Class A-H Reference Tranche is so increased as described in the prior sentence, this would have the effect of increasing the Senior Percentage and correspondingly reducing the Subordinate Percentage, which would have a negative impact on the Notes in respect of the calculations of the Senior Reduction Amount and the Subordinate Reduction Amount, as described above. In the event that Fannie Mae were to ever employ a policy that permitted or required principal forgiveness as a loss mitigation alternative, any principal that may be forgiven with respect to a Reference Obligation will be treated as a negative adjustment in unpaid principal balance of such Reference Obligation pursuant to clause (c) above.

"Calculated Recovery Principal" with respect to any Payment Date is the sum of:

- (i) the Credit Event Amount for such Payment Date, *minus* the Calculated Tranche Write-down Amount for such Payment Date; and
- (ii) the Calculated Tranche Write-up Amount for such Payment Date.

The **"Minimum Credit Enhancement Test"** with respect to any Payment Date is a test that will be satisfied if the Subordinate Percentage is greater than or equal to 3%.

Allocation of Calculated Tranche Write-down Amounts

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount and Subordinate Reduction Amount, the Class Notional Amount of each Class of Reference Tranches will be reduced by the amount, if any, of the Calculated Tranche Write-down Amount, which will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class B-H Reference Tranche,
- (ii) *second*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts,
- (iii) *third*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts, and
- (iv) *fourth*, to the Class A-H Reference Tranche.

Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Calculated Tranche Write-down Amounts allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a corresponding reduction in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable.

The **"Calculated Tranche Write-down Amount"** with respect to any Payment Date is the product of:

- (a) the Net Credit Event Amount for such Payment Date; and
- (b) the Applicable Severity for such Payment Date.

The **"Net Credit Event Amount"** with respect to any Payment Date is the excess, if any, of the Credit Event Amount over the Reversed Credit Event Amount for such Payment Date.

The **"Credit Event Amount"** with respect to any Payment Date, is the aggregate amount of the Credit Event UPBs of all Credit Event Reference Obligations for the related Reporting Period.

The **"Cumulative Net Credit Event Percentage"** with respect to each Payment Date, is a percentage equal to (i) the aggregate Credit Event Amount for such Payment Date and all prior Payment Dates less the aggregate Reversed Credit Event Amount for such Payment Date and all prior Payment Dates; divided by (ii) the aggregate unpaid principal balance of the Reference Obligations in the Reference Pool as of the Cut-off Date.

The **"Applicable Severity"** with respect to any Payment Date, is a percentage equal to:

- (a) the sum of (i) the product of 10% and the 10% Severity Tier Percentage, (ii) the product of 20% and the 20% Severity Tier Percentage, and (iii) the product of 40% and the 40% Severity Tier Percentage; divided by
- (b) the sum of the 10% Severity Tier Percentage, the 20% Severity Tier Percentage, and the 40% Severity Tier Percentage.

<u>Cumulative Net Credit Event Percentage</u>	<u>Applicable Severity</u>
Less than or equal to 1.00%	10.00%
Greater than 1.00% and less than or equal to 2.00%	20.00%
Greater than 2.00%	40.00%

The "**10% Severity Tier Percentage**" with respect to any Payment Date, is a percentage equal to the excess, if any, of:

- (a) the lesser of (i) 1%, and (ii) the greater of the Cumulative Net Credit Event Percentage for such Payment Date and the Cumulative Net Credit Event Percentage for the preceding Payment Date (or in the case of the first Payment Date, zero); over
- (b) the greater of (i) 0%, and (ii) the lesser of the Cumulative Net Credit Event Percentage for such Payment Date and the Cumulative Net Credit Event Percentage for the preceding Payment Date.

The "**20% Severity Tier Percentage**" with respect to any Payment Date, is a percentage equal to the excess, if any, of:

- (a) the lesser of (i) 2%, and (ii) the greater of the Cumulative Net Credit Event Percentage for such Payment Date and the Cumulative Net Credit Event Percentage for the preceding Payment Date (or in the case of the first Payment Date, zero); over
- (b) the greater of (i) 1%, and (ii) the lesser of the Cumulative Net Credit Event Percentage for such Payment Date and the Cumulative Net Credit Event Percentage for the preceding Payment Date.

The "**40% Severity Tier Percentage**" with respect to any Payment Date, is a percentage equal to the excess, if any, of:

- (a) the greater of the Cumulative Net Credit Event Percentage for such Payment Date and the Cumulative Net Credit Event Percentage for the preceding Payment Date (or in the case of the first Payment Date, zero); over
- (b) the greater of (i) 2%, and (ii) the lesser of the Cumulative Net Credit Event Percentage for such Payment Date and the Cumulative Net Credit Event Percentage for the preceding Payment Date.

The "**Credit Event UPB**" with respect to any Credit Event Reference Obligation, is the unpaid principal balance thereof as of the end of the Reporting Period related to the Payment Date on which it became a Credit Event Reference Obligation.

A "**Credit Event Reference Obligation**" with respect to any Payment Date, means any Reference Obligation with respect to which a Credit Event has occurred.

A "**Credit Event**" with respect to any Payment Date and any Reference Obligation, means the first to occur of any of the following events with respect to such Reference Obligation being reported by the applicable servicer to Fannie Mae during the related Reporting Period: (i) 180 days or more delinquent (regardless of any grant of forbearance, including in connection with any relief or deferral granted in connection with natural disasters, or if such Reference Obligation is performing during a trial modification period), (ii) a short sale is settled, (iii) the related mortgage note is sold to a third party during the foreclosure process, (iv) a deed in lieu of foreclosure is

executed, or (v) a REO acquisition occurs. Determination of delinquency will be made using the "MBA delinquency method." Under the MBA delinquency method, a loan due on the first of the month is considered 30 days delinquent when all or part of one or more payments remains unpaid as of close of business on the last day of the month. For the avoidance of doubt with respect to any Credit Event Reference Obligation, there can only be one occurrence of a Credit Event.

The "**Reversed Credit Event Amount**" with respect to any Payment Date, is the aggregate amount of the Credit Event UPBs of all Reversed Credit Event Reference Obligations for the related Reporting Period.

A "**Reversed Credit Event Reference Obligation**" with respect to any Payment Date, means a Reference Obligation formerly in the Reference Pool that became a Credit Event Reference Obligation in a prior Reporting Period and with respect to which (i) the related loan seller or servicer repurchases the Reference Obligation, enters into a full indemnification agreement with Fannie Mae with respect to the Reference Obligation or provides a make-whole payment with respect to the Reference Obligation, (ii) Fannie Mae determines that the Reference Obligation does not meet certain Eligibility Criteria as the result of a data correction, or (iii) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation declares bankruptcy or is put into receivership after Fannie Mae has requested that it repurchase such Reference Obligation.

Allocation of Calculated Tranche Write-up Amounts

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount, Subordinate Reduction Amount and Calculated Tranche Write-down Amounts, the Calculated Tranche Write-up Amount, if any, for such Payment Date will be allocated to increase the Class Notional Amount of each Class of Reference Tranche in the following order of priority until the cumulative Calculated Tranche Write-up Amount allocated to each such Class of Reference Tranche is equal to the cumulative Calculated Tranche Write-down Amount previously allocated to such Class of Reference Tranche on or prior to such Payment Date,

(i) *first*, to the Class A-H Reference Tranche,

(ii) *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts,

(iii) *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts, and

(iv) *fourth*, to the Class B-H Reference Tranche.

Because the Class M-1 and Class M-2 Notes correspond to the Class M-1 and Class M-2 Reference Tranches, respectively, any Calculated Tranche Write-up Amounts allocated to the Class M-1 or Class M-2 Reference Tranches pursuant to the hypothetical structure will result in a corresponding increase in the Class Principal Balance of the Class M-1 or Class M-2 Notes, as applicable. For the avoidance of doubt, through the Maturity Date, a Calculated Tranche Write-up Amount may be applied to any Class of Reference Tranche whose Class Notional Amount has previously been reduced to zero (until the cumulative Calculated Tranche Write-up Amount allocated to such Class is equal to the cumulative Calculated Tranche Write-down Amount previously allocated to such Class).

The "**Calculated Tranche Write-up Amount**" with respect to any Payment Date is an amount equal to:

(a) the product of:

(i) the Net Reversed Credit Event Amount for such Payment Date; and

(ii) the Applicable Severity for such Payment Date; *plus*

(b) the Rep and Warranty Settlement Coverage Amount for such Payment Date, *minus*

(c) the aggregate amount of the Rep and Warranty Settlement Amounts determined during prior Reporting Periods with respect to all Reference Obligations that became Reversed Credit Event Reference Obligations during the current Reporting Period;

provided, however, that the Calculated Tranche Write-up Amount with respect to any Payment Date will in no event be less than zero.

The "**Net Reversed Credit Event Amount**" with respect to each Payment Date, is the excess, if any, of the Reversed Credit Event Amount over the Credit Event Amount for such Payment Date.

The "**Rep and Warranty Settlement Coverage Amount**" with respect to each Payment Date and (1) any Reference Obligation that was included in an Origination Rep and Warranty Settlement and that became a Credit Event Reference Obligation in the related Reporting Period and (2) any Reference Obligation that became a Credit Event Reference Obligation during a previous Reporting Period and that was first included in an Origination Rep and Warranty Settlement during the related Reporting Period, is the sum of the related Rep and Warranty Settlement Amounts for all such Reference Obligations.

The "**Rep and Warranty Settlement Amount**" for each Reference Obligation that is part of an Origination Rep and Warranty Settlement (including any Reference Obligation that may previously have been removed from the Reference Pool due to a Credit Event), is the portion of the settlement amount determined to be attributable to such Reference Obligation. The determination will be made by Fannie Mae at or about the time of the settlement. After completion of an Origination Rep and Warranty Settlement that includes any Reference Obligations, Fannie Mae will engage an independent third party to conduct an annual review to validate that the Rep and Warranty Settlement Amount corresponding to each Reference Obligation matches Fannie Mae's records for such settlement. For the avoidance of doubt, for purposes of calculating the Calculated Tranche Write-up Amount, the Rep and Warranty Settlement Amount will be deemed not to exceed the calculated loss amount for such Reference Obligation.

"**Origination Rep and Warranty Settlement**" means any settlement relating to claims arising from breaches of origination representations and warranties that Fannie Mae enters into with a loan seller or servicer in lieu of requiring such loan seller or servicer to repurchase a specified pool of mortgage loans that includes one or more Reference Obligations, whereby Fannie Mae has received the agreed-upon settlement proceeds from such loan seller or servicer.

For the avoidance of doubt, any settlement that Fannie Mae may enter into with a servicer in connection with a breach by such servicer of its servicing obligations to us with respect to Reference Obligations will not be included in any Origination Rep and Warranty Settlement. Moreover, a Reference Obligation subject to an Origination Rep and Warranty Settlement that is not a Credit Event Reference Obligation may be subsequently repurchased by the related loan seller or servicer due to certain breaches of representations and warranties, such as a breach of a representation or warranty relating to fraud or property title. Any amounts collected by Fannie Mae due to such subsequent repurchases will be allocated to the Reference Tranches as *Unscheduled Principal*.

THE AGREEMENTS

The following summary describes certain provisions of the Debt Agreement and the Global Agency Agreement not otherwise described in this Prospectus.

The Debt Agreement

Binding Effect of the Debt Agreement

You and any financial intermediary or Holder acting on your behalf agree that the receipt and acceptance of a Note indicates acceptance of the terms and conditions of the Debt Agreement, as it may be supplemented or amended by its terms.

The Debt Agreement will be binding upon and inure to the benefit of any successor to Fannie Mae.

Various Matters Regarding Fannie Mae

The Debt Agreement provides that Fannie Mae and its directors, officers, employees and agents will not be liable for any action taken or omitted in good faith under the Debt Agreement or for errors in judgment. However, Fannie Mae will not be protected against any liability imposed by reason of willful misfeasance, bad faith or gross negligence or reckless disregard of obligations and duties.

We may employ agents or independent contractors to perform our responsibilities under the Debt Agreement.

Except upon an Event of Default (as defined below), we will not be subject to the control of Holders in any manner in the discharge of our responsibilities under the Debt Agreement. Except with regard to our payment obligations, we will have no liability to you other than for any direct damage resulting from our failure to exercise that degree of ordinary care which we exercise in the conduct and management of our own affairs. We will have no liability of any nature for consequential damages.

In addition, the Debt Agreement provides that we need not appear in any legal action that is not incidental to our responsibilities under the Debt Agreement and that we believe may result in any expense or liability. However, we may undertake any legal action that we believe is necessary or desirable in the interests of the Holders in our discretion. We will bear the legal costs of any such action.

Events of Default — Debt Agreement

An "**Event of Default**" under the Debt Agreement will consist of:

- any failure by us (or our agent) to pay principal or interest that continues unremedied for 30 days;
- any failure by us to perform in any material respect any other obligation under the Debt Agreement if the failure continues unremedied for 60 days after we receive notification by the Holders of at least 25% of the outstanding Class Principal Balance of the Notes; or
- specified events of bankruptcy, insolvency or similar proceedings involving us.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over us, whether or not we consent to such appointment, will not constitute an Event of Default.

See "*Risk Factors — Investment Factors and Risks Related to the Notes — Investors Have No Direct Right to Enforce Remedies*".

Rights Upon Event of Default — Debt Agreement

If an Event of Default under the Debt Agreement continues unremedied, Holders of not less than 50% of the outstanding Class Principal Balance of the Class of Notes to which such Event of Default relates may, by written notice to us, declare such Notes due and payable.

No Holder has any right under the Debt Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, or for the appointment of a receiver or trustee, or for any other remedy, unless:

- the Holder previously has given us written notice of an Event of Default and of the continuance thereof;
- the Holders of not less than 50% of the outstanding Class Principal Balance of the Notes have given us written notice of the Event of Default; and
- the Event of Default continues uncured for 60 days following such notice.

You do not have any right under the Debt Agreement to disturb or prejudice the rights of any other Holder, to obtain or seek to obtain preference or priority over any other Holder or to enforce any right under the Debt Agreement, except as provided in the Debt Agreement and for the ratable and common benefit of all Holders of Notes.

The Holders of not less than 50% of the outstanding Class Principal Balance of the related Class of Notes may waive, rescind or annul an Event of Default as it relates to such Class at any time.

Where the Debt Agreement allows the Holders of a specified percentage of the outstanding Class Principal Balance of Notes to take any action (including the making of any demand or request, or the giving of any authorization, notice, consent or waiver), the Holders of that specified percentage may evidence their joining together by a writing, or any number of writings of similar tenor, executed by Holders in person, or by an agent or proxy appointed in writing.

Amendment

We may amend the Debt Agreement and the terms of the Notes without your consent:

- to cure any ambiguity or to correct any provision in the Debt Agreement if the amendment does not materially and adversely affect any Holder;
- to conform the terms of the Debt Agreement to the terms of this Prospectus;
- to add to our covenants for your benefit or surrender any right or power conferred upon us;
- to evidence the succession of another entity to us and its assumption of our covenants;
- to conform the terms of the Notes to, or cure any ambiguity or discrepancy resulting from any changes in, the Rules;
- in any other manner we may determine that will not adversely affect your interests in any material respect.

Notwithstanding these rights, we will not be permitted to make any amendment to the Debt Agreement and the terms of the Notes unless we have received an opinion of nationally-recognized U.S. federal income tax counsel to the effect that, and subject to customary assumptions, qualifications and exclusions, Noteholders will not recognize income, gain or loss, or suffer other adverse consequences under the FATCA rules described below in "*Certain United States Federal Tax Consequences*," for U.S. federal income tax purposes as a result of such amendment.

With the written consent of the Holders of at least 50% of the aggregate outstanding Class Principal Balance of Notes, we may amend the terms of those Notes, but that amendment may not, without the written consent or affirmative vote of each affected Holder of a Note:

- change the Maturity Date or any monthly Payment Date of the Note;
- materially modify the redemption or repayment provisions, if any, relating to the redemption or repayment price of, or any redemption or repayment date or period for, the Note;
- reduce the Class Principal Balance (other than as provided for in the Debt Agreement), delay the principal payment of (other than as provided for in the Debt Agreement), or materially modify the rate of interest or the calculation of the rate of interest on, the Note; or
- reduce the percentage of Holders whose consent or affirmative vote is necessary to amend the terms of the Notes.

A quorum at any meeting of Holders called to adopt a resolution will be Holders entitled to vote a majority of the aggregate Class Principal Balance of Notes at the time outstanding, and called to such meeting and, at any reconvened meeting adjourned for lack of a quorum, 25% of the Class Principal Balance of the Notes at the time outstanding, in both cases excluding any such Notes owned by us. Holders do not have to approve the particular form of any proposed amendment, as long as they approve the substance of such change. See "*Risk Factors — Investment Factors and Risks Related to the Notes — Investors Have No Direct Right to Enforce Remedies*".

As provided in the Debt Agreement, we may establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Notes, to grant any consent regarding Notes and to notice of any such meeting or consent.

Any instrument given by a Holder on your behalf relating to a consent will be irrevocable once given and will be conclusive and binding on all subsequent Holders of that Note or any substitute or replacement Note, and whether or not notation of any amendment is made upon the Notes. Any amendment of the Debt Agreement or of the terms of Notes will be conclusive and binding on all Holders of those Notes, whether or not they have given such consent or were present at any meeting (unless by the terms of the Debt Agreement a written consent or an affirmative vote of such Holders is required), and whether or not notation of any such amendment is made upon the Notes.

Replacement

We will replace Notes in definitive form that are mutilated, destroyed, stolen or lost at the Holder's expense when the Holder provides evidence of the destruction, theft or loss of the Notes to the Global Agent as well as an indemnity, satisfactory to us and the Global Agent.

Notes Acquired by Fannie Mae

We may, from time to time, repurchase or otherwise acquire (either for cash or in exchange for newly-issued Notes) some or all of the Notes at any price or prices, in the open market or otherwise. We may hold, sell (subject to certain tax restrictions) or cancel any Notes that we repurchase. Any Notes we own will have an equal and proportionate benefit under the provisions of the Debt Agreement, without preference, priority or distinction as among those Notes. However, in determining whether the required percentage of Holders of the Notes have given any required demand, authorization, notice, consent or waiver, Notes we own, directly or indirectly, will be deemed not to be outstanding.

Notice

Any notice, demand or other communication which is required or permitted to be given to a Holder may be given, in the case of a Holder of a Note maintained on DTC, by transmission through the DTC communication system. The communication will be deemed to have been sufficiently given or made upon mailing or transmission.

Any notice, demand or other communication which is required or permitted to be delivered to us must be given in writing addressed as follows: Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016-2892, Attention: General Counsel and Secretary. The communication will be deemed to have been sufficiently given or made only upon actual receipt of the writing by us.

Governing Law

The Debt Agreement and the rights and obligations of the Holders and Fannie Mae with respect to the Notes are to be interpreted under the federal laws of the United States. If there is no applicable U.S. federal law precedent, and if the application of New York law would not frustrate the purposes of the Charter Act or any provision of the Debt Agreement or the transactions governed by the Debt Agreement, then the local laws of the State of New York will be deemed to reflect the federal laws of the United States.

The Global Agency Agreement

General

Under the Global Agency Agreement, the Global Agent will be engaged by Fannie Mae to perform certain reporting, calculation, payment and other administrative functions with respect to the Notes as described below.

Global Agent

Wells Fargo Bank will act as Global Agent under the Global Agency Agreement. Wells Fargo Bank is a national banking association and a wholly-owned subsidiary of Wells Fargo & Company. A diversified financial services company, Wells Fargo & Company is a U.S. bank holding company with approximately \$1.4 trillion in

assets and more than 275,000 employees as of June 30, 2013 which provides, banking, insurance, trust, mortgage and consumer finance services throughout the United States and internationally. Wells Fargo Bank provides retail and commercial banking services and corporate trust, custody, securities lending, securities transfer, cash management, investment management and other financial and fiduciary services. The Issuer may maintain banking and other commercial relationships with Wells Fargo Bank and its affiliates. Wells Fargo Bank maintains principal corporate trust offices at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951 (among other locations) and its office for certificate transfer services is located at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479.

The assessment of compliance with applicable servicing criteria for the twelve months ended December 31, 2012 (the "**Period**"), furnished pursuant to Item 1122 of Regulation AB by the Corporate Trust Services division of Wells Fargo Bank (the "**2012 Wells Assessment**") for its platform, discloses that material instances of noncompliance occurred with respect to the servicing criteria described in Items 1122(d)(3)(i)(B) and 1122(d)(3)(ii) of Regulation AB. Specifically, with respect to certain RMBS transactions in its platform, there were (i) payment errors that occurred during the Period that, when considered in the aggregate, led to Wells Fargo's determination that there was a material instance of noncompliance for its platform with respect to Item 1122(d)(3)(i)(B) of Regulation AB ("**Payment Errors**"), and (ii) reporting errors that occurred during the Period that, when considered in the aggregate, led to Wells Fargo's determination that there was a material instance of noncompliance for its platform with respect to Item 1122(d)(3)(ii) of Regulation AB ("**Reporting Errors**").

The 2012 Wells Assessment further discloses that the identified Payment Errors and Reporting Errors on such RMBS transactions were attributable to certain failures in processes relating to waterfall calculations and reporting that, although adapted over time, still insufficiently addressed the impact of the unprecedented levels of collateral degradation in RMBS transactions on the calculation of principal and interest payments and losses and associated investor reporting.

The 2012 Wells Assessment also discloses that (i) appropriate actions have been taken or are in the process of being taken to remediate the identified Payment Errors and Reporting Errors, and (ii) adjustments have been or will be made to the waterfall calculations and other operational processes and quality control measures applied to the RMBS transactions in Wells Fargo's platform to minimize the risk of future payment and reporting errors.

The 2012 Wells Assessment is attached to Form 10-K filings for certain transactions in Wells Fargo's platform that were subject to the reporting requirements of the Securities Exchange Act of 1934.

Under the terms of the Global Agency Agreement, the Global Agent is responsible for securities administration, which includes pool performance calculations, payment calculations and the preparation of monthly payment reports. Wells Fargo Bank has been engaged in the business of securities administration since June 30, 1995. As of June 30, 2013, Wells Fargo Bank was acting as securities administrator with respect to more than \$654,497,000,000 of outstanding residential mortgage-backed securities.

Duties of Global Agent

The Global Agent will, among other duties set forth in the Global Agency Agreement, (i) authenticate and deliver the Notes, (ii) serve as registrar for purposes of registering the Notes and in connection with transfers and exchanges of the Notes, (iii) calculate the principal and interest payments due on the Notes on each Payment Date (including the determination of One-Month LIBOR and the Class Coupons), (iv) pay or cause to be paid, on behalf of Fannie Mae, the amounts due in respect of the Notes and (v) prepare each Payment Date Statement. Further, the Global Agent will hold the Notes as custodian for DTC (for both U.S. and offshore depositories) pursuant to its agreement with DTC.

Payment Date Statement

The Global Agent will prepare a report each month (each a "**Payment Date Statement**") setting forth certain information relating to the Reference Pool, the Notes, the Reference Tranches and the hypothetical structure described in this Prospectus, including:

(i) the Class Principal Balance of each Class of Notes and the percentage of the initial Class Principal Balance of each Class of Notes on the first (1st) day of the immediately preceding Accrual Period, the amount of principal payments to be made on the Notes of each Class on such Payment Date and the Class Principal Balance of each Class of Notes and the percentage of the initial Class Principal Balance of each Class of Notes after giving effect to any payments of principal to be made on such Payment Date and the allocation of any Calculated Tranche Write-down Amounts and Calculated Tranche Write-up Amounts to such Class of Notes on such Payment Date;

(ii) One-Month LIBOR for the Accrual Period preceding the related Payment Date;

(iii) the amount of accrued interest for each outstanding Class of Notes for the related Payment Date;

(iv) the amount of principal required to be paid by Fannie Mae for each Outstanding Class of Notes for the related Payment Date and the Senior Reduction Amount, the Subordinate Reduction Amount, the Senior Percentage and the Subordinate Percentage for the related Payment Date;

(v) the aggregate Calculated Tranche Write-down Amounts and Calculated Tranche Write-up Amounts previously allocated to each Class of Notes and each Class of Reference Tranches pursuant to the hypothetical structure and the Calculated Tranche Write-down Amounts and Calculated Tranche Write-up Amounts to be allocated on the related Payment Date;

(vi) the cumulative number (to date) and unpaid principal balance of the Reference Obligations that have become Credit Event Reference Obligations, the number and unpaid principal balance of the Reference Obligations that have become Credit Event Reference Obligations during the related Reporting Period and the Cumulative Net Credit Event Percentage;

(vii) the number and aggregate principal amounts of Reference Obligations (A) delinquent (1) 30 to 59 days, (2) 60 to 89 days, (3) 90 to 119 days, (4) 120 to 149 days, (5) 150 to 179 days and (6) 180 or more days, as of the close of business on the last day of the second (2nd) calendar month preceding such Payment Date, in the aggregate with respect to the Reference Obligations, (B) that became Credit Event Reference Obligations (and identification under which clause of the definition of "Credit Event" it became Credit Event Reference Obligation), (C) that were removed from the Reference Pool as a result of a defect or breach of a representation and warranty, and (D) which have been paid in full;

(viii) the percentage of Reference Pool outstanding (equal to the outstanding principal amount of Reference Obligations divided by the Cut-off Date Balance) as of the current Reporting Period;

(iv) the Reversed Credit Event Amount, both cumulative and for the current Reporting Period;

(x) the amount of Scheduled Principal and Unscheduled Principal, both cumulative and for the current Reporting Period;

(xi) the Calculated Recovery Principal for the current Reporting Period; and

(xii) the Rep and Warranty Settlement Coverage Amount and the related Rep and Warranty Settlement Amount for each Origination Rep and Warranty Settlement for the current Reporting Period.

The Global Agent will make the Payment Date Statement (and, at its option, any additional files containing the same information in an alternative format) available each month to Noteholders that provide appropriate certification in the form acceptable to the Global Agent (which may be submitted electronically via the Global Agent's Internet site) and to any designee of ours via the Global Agent's Internet site. The Global Agent's Internet site will initially be located at www.ctslink.com. Assistance in using the Internet site can be obtained by calling the Global Agent's customer service desk at (866) 846-4526. Parties that are unable to use the above distribution options are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and indicating such. The Global Agent will have the right to change the way the Global Agent's Payment Date Statement is distributed in order to make such distribution more convenient or more accessible to the above parties. The Global Agent is required to provide timely and adequate notification to all above parties regarding any such

changes. The Global Agent will not be liable for the dissemination of information in accordance with the Global Agency Agreement.

The Global Agent will also be entitled to rely on but will not be responsible for the content or accuracy of any information provided by third parties for purposes of preparing the Payment Date Statement and may affix thereto any disclaimer it deems appropriate in its reasonable discretion (without suggesting liability on the part of any other party hereto).

Various Matters Regarding Global Agent

The Global Agency Agreement contains provisions for the indemnification of the Global Agent for any loss, liability or expense incurred (except for losses, liabilities or expenses caused or incurred by gross negligence, willful misconduct or bad faith on its part) arising out of or in connection with the acceptance or administration of the Global Agency Agreement or other transaction documentation.

The Global Agent may resign by giving the Issuer at least 60 days' written notice to such effect. We may terminate the Global Agent at any time upon thirty calendar days' written notice. No resignation or removal of the Global Agent and no appointment of a successor Global Agent will become effective until the acceptance of appointment by a successor global agent.

On the Business Day prior to the Payment Date, the Issuer will remit to a collection account the principal and interest due on the Notes for such Payment Date and the monthly portion of the annual fee due to the Global Agent. The Global Agency Agreement permits the Global Agent to invest funds in that collection account in permitted investments for its own benefit. The Global Agent is required to immediately remit for deposit in the collection account any losses incurred in respect of any such investments out of its own funds. If the Global Agent fails to remit any such loss amount by 9:00 AM on any Payment Date, the Issuer will remit the related deficiency to the collection account so as to ensure the payment amount due in respect of the Notes is available for payment to the Holders of the Notes on such Payment Date.

The Global Agency Agreement will provide that neither the Global Agent nor any person who is a director, officer, employee or agent of the Global Agent will be liable to us or the Noteholders, as applicable, for any action taken, or not taken, in good faith pursuant to the Global Agency Agreement or any agreement related thereto, or for errors in judgment. In addition, the Global Agency Agreement will provide that the Global Agent will not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its responsibilities thereunder and that in its opinion may involve it in any expense or liability.

Any person into which the Global Agent may be merged or consolidated, or any person resulting from any merger or consolidation to which the Global Agent is a party, or any person succeeding to the business of the Global Agent will be the successor of the Global Agent under the Global Agency Agreement without further action on its part.

The Global Agent, in its reasonable discretion, will be entitled to delegate to third parties and its affiliates such duties as are provided under the Global Agency Agreement.

Governing Law

The Global Agency Agreement will be governed by, and construed in accordance with, the federal laws of the United States. If there is no applicable U.S. federal law precedent, and if the application of New York law would not frustrate the purposes of the Charter Act or any provision of the Global Agency Agreement or the transactions governed by the Global Agency Agreement, then the local laws of the State of New York will be deemed to reflect the federal laws of the United States.

LOAN ACQUISITION PRACTICES

Single-Family Business Overview

Delegated Approach

Our public mission is to support liquidity and stability in the secondary mortgage market. We do not originate loans or lend money directly to consumers. Instead, we acquire loans principally for the purpose of securitizing them, thus facilitating transactions in the "To-Be-Announced" market and allowing mortgage lenders to hedge and/or fund their origination pipelines. There are three primary business activities of the Single-Family Credit Guaranty business:

1. **Mortgage Acquisitions:** Acquire single-family mortgage loans, generally for the purpose of securitizing them, through purchases from loan sellers or through delivery by loan sellers of loans to secure our MBS.
2. **Credit Risk Management:** Set standards for mortgage loans, loan sellers and servicers; price and manage the credit risk on loans in our single-family guaranty book of business.
3. **Credit Loss Management:** Work to prevent foreclosures and reduce costs of defaulted loans through foreclosure alternatives, management of foreclosures and REO properties, and through pursuing contractual remedies from lenders, servicers and providers of credit enhancement.

Loan sellers must be approved before they can deliver single-family mortgage loans to us. We rely on loan sellers to comply with our standards and make underwriting decisions that result in investment quality loans. To protect us from acquiring loans that do not meet prescribed underwriting standards, loan sellers are required to make representations and warranties as to certain facts and circumstances concerning the loan sellers themselves and the mortgage loans they are selling. Representations and warranties required by us are described in the Mortgage Selling and Servicing Contract, the Fannie Mae Single-Family Selling Guide (the "**Selling Guide**"), the Fannie Mae Single-Family Servicing Guide (the "**Servicing Guide**") and other Lender Contracts. Violation of any representation and warranty is a breach of the Lender Contract, entitling us to pursue certain remedies, including a loan repurchase request, as further described under "*Quality Control*" below. Our comprehensive risk management approach ensures that our representations and warranties and related requirements are updated regularly to address evolving credit issues in our acquisition standards and credit portfolio in a timely manner.

We employ a comprehensive and dynamic risk management approach to manage our single-family business and the credit risk profile of our book of business. The key components of our risk management processes are:

- **Loan Seller and Servicer Management and Oversight:** standards, reviews, limits, monitoring and training
- **Credit Standards:** underwriting, eligibility, property and appraisal requirements, guidelines, policies and procedures covering origination through closing
- **Loan Delivery Controls:** data and document controls and validations
- **Quality Control:** random and selected reviews, loan seller quality control and enforcement
- **Ongoing Surveillance and Feedback:** in-depth reviews of loan seller and loan quality
- **Servicing Standards:** collections, delinquencies and modifications

We evaluate the performance of loan sellers, servicers and the related loans themselves against our requirements in a systematic manner and use detailed information from our evaluations to update our policies, guidelines, procedures, reviews and enforcement actions, including remediation activities if warranted. We evaluate loan seller deliveries and the performance of the loans we acquire on an ongoing basis and use these evaluations to target our reviews. We conduct ongoing reviews of our largest loan sellers to ensure they are maintaining appropriate controls and compliance in view of our standards and requirements. We conduct additional reviews of loan sellers based on business model changes and other factors. Our goal in implementing our risk management processes is to improve the credit risk profile of our single-family book of business and support sustainable home ownership. We may from time to time supplement, alter, waive or rescind any of the requirements of the Selling Guide.

Loan Seller and Servicer Management and Oversight

Initial Loan Seller and Servicer Requirements and Approvals

Prior to approving a loan seller or servicer, we perform a comprehensive review of key functional areas such as business readiness, financial condition, management experience, operations and controls, together with other relevant factors. Our review process involves collaboration across all key business areas responsible for managing risk to assure the soundness of the loans we acquire from a loan seller. Approval or rejection of a loan seller's or servicer's application is based on our business judgment, taking into account the totality of the relevant circumstances. To be considered for approval to sell residential first-lien mortgages to us, or to service them, at a minimum a loan seller or servicer generally must:

- have as its principal business purpose, the origination, selling and/or servicing of residential mortgages;
- demonstrate the ability to originate, sell and/or service the types of mortgages for which approval is being requested;
- have adequate facilities and staff experienced in originating, selling and/or servicing the types of mortgages for which approval is being requested;
- be duly organized, validly existing, properly licensed and in good standing (or otherwise authorized) to conduct its business in each of the jurisdictions in which it originates, sells or services residential mortgages;
- meet specified net worth requirements for loan sellers and servicers, based on the portfolio being serviced for us, including mortgages or MBS pools, first and second lien residential mortgages or participation interests held in our portfolio, and multifamily mortgages. Loan seller net worth, as defined and calculated by us, is the loan seller's "total equity capital" as determined by generally accepted accounting principles, less goodwill and other intangible assets (excluding mortgage servicing rights) and, based on our assessment of associated risks, a possible deduction of "affiliate receivables" and "pledged assets net of associated liabilities." Based on specific circumstances, a loan seller may be required to satisfy other financial standards or additional net worth and liquidity eligibility criteria;
- have internal audit and management control systems to evaluate and monitor the overall quality of its loan production and servicing;
- have written procedures for the approval and management of vendors and other third-party service providers;
- have a fidelity bond and an errors and omissions policy in effect and agree to modify them as necessary to meet our requirements; and
- satisfy any additional eligibility criteria we impose from time to time. Such additional criteria may apply either to individual loan sellers or servicers, all loan sellers, all loan sellers or servicers that are seeking approval to sell and/or service certain types of mortgage loans or all loan sellers or servicers that share certain characteristics.

We approve or disapprove an application to become an approved loan seller or servicer based on our assessment of all relevant circumstances, and we may reject or condition the application of a loan seller or servicer that satisfies our general eligibility criteria. No applicant has an absolute or automatic right to be approved to do business with us.

Ongoing Loan Seller and Servicer Management

Exposure Limits

Our primary institutional counterparty risks include our exposure to loan sellers and servicers that originate or service the mortgage loans that back our MBS. We rely on these loan sellers and servicers to repurchase loans from us or reimburse us for losses in certain circumstances. We rate each of our counterparties on both a quantitative and qualitative basis to establish our risk tolerance and maximum exposure for each counterparty. Our ratings assess a counterparty's profitability, asset quality, capitalization, liquidity, funding and portfolio concentration. We establish exposure limits for each counterparty based on its financial strength and capacity to ensure that our exposure to a given counterparty is commensurate with its ability to satisfy our claims. We manage our ratings and exposure limits based on our ongoing evaluation of the counterparties' current financial position, our updated internal ratings and the performance and risk profile of the loans we acquire.

To mitigate our exposure to troubled loan sellers and servicers, we may take a range of possible actions, including requiring a guaranty of their obligations by higher-rated affiliated entities, reducing or eliminating their exposure limits or certain of their business activities, transferring exposure to third-parties, requiring them to deliver collateral to secure their obligations, and suspending or terminating their approved loan seller or servicer status with us.

Additional Monitoring of Loan Sellers

Following the initial approval process, we monitor loan sellers on an ongoing basis using our mortgage origination risk assessment procedures. Dedicated teams of reviewers perform an annual on-site operational assessment of controls in various functional areas of the origination activities for our highest volume loan sellers. We also select other loan sellers annually by volume or risk profile for on-site and desk reviews of compliance with our origination policies. For loan sellers with emerging growth and potentially elevated risk, we conduct additional file reviews. In addition, we may perform on-site reviews of new loan sellers when they meet certain delivery thresholds and of established loan sellers when they fail financial or loan performance requirements. We analyze the results of such reviews, report any issues to senior management, prioritize our findings, develop remediation action plans, and validate a loan seller's progress against our remediation plans. We adjust our financial ratings and maximum exposure limits of the loan sellers based on the results of our reviews, the performance of the loans we acquire from them, and their compliance with our remediation action plans.

Credit Standards

Loan Underwriting and Eligibility

Our credit underwriting and eligibility standards establish requirements loan sellers must follow in evaluating the capacity and willingness of borrowers to repay the loans we acquire and the adequacy of the pledged property as collateral. Our goal is to promote sustainable homeownership by considering all stages of the life cycle of loans under various economic scenarios so that borrowers have a higher probability of continuing to make their monthly housing payments.

In evaluating a borrower's willingness and capacity to repay the mortgage loan, the loan seller must include documentation in the loan file that confirms that information provided by the borrower as part of the loan application is accurate and supports the loan seller's assessment of the borrower's credit history, employment, income, assets, and other financial information. In addition, the loan seller must conduct a comprehensive risk assessment of each mortgage loan application prior to approving it. The loan seller is also responsible for the accuracy and completeness of the appraisal and its assessment of the marketability of the property as well as underwriting the appraisal report to determine whether the property presents adequate collateral for the mortgage loan.

In establishing our single-family mortgage credit risk policies and standards, we closely monitor changes in housing and economic conditions and the impact of those changes on the credit risk profile of our existing single-family mortgage credit book of business. We regularly review and provide updates to our underwriting and property

standards and eligibility requirements to take into consideration changing market conditions. The credit risk profile of our single-family mortgage credit book of business is influenced by, among other things, the credit profile of the borrowers, features of the loans we acquire, the mix of the loan products we acquire, the types of properties securing the loans, and the housing market and economy more generally.

Following the credit crisis of 2007 and 2008, we made significant changes to our credit standards to improve the performance of our acquisitions. Included among these changes were the elimination of contract terms that allowed for delivery of loans originated within certain expanded underwriting and credit risk guidelines. We also implemented lower maximum loan-to-value ("**LTV**") ratios, lower debt-to-income ("**DTI**") ratios, an overall minimum FICO score requirement and higher minimum FICO scores for certain product/amortization types. Our Selling Guide provides that the LTV for mortgage loans we purchase may not be greater than 97%, though the maximum permitted LTV may be as low as 70% for loans secured by certain property types. None of the Reference Obligations, as reported to us by the related loan sellers, has a LTV less than 60% or greater than 80%. Our Selling Guide provides that the minimum FICO scores may not be lower than 620, but may require a higher minimum FICO score depending on the loan characteristics. Our Selling Guide provides that the DTI for manually underwritten loans generally may not exceed 45%. The DTI may exceed 45% for loans underwritten through DU based on compensating factors within the overall loan risk profile. None of the Reference Obligations, as reported to us by the related loan sellers, has a DTI that exceeds 50.00%. As of the Cut-off Date, the weighted average DTI of the Reference Pool is 31.53%.

Our Selling Guide establishes the baseline risk parameters, or credit standards, for mortgage loans that we acquire from our approved loan sellers, and by controlling these parameters we control the credit risk profile of our acquired loans. Loan sellers must evaluate the overall level of delinquency risk that is present in each mortgage application by taking into consideration any layering of risk factors, the significance of those factors, and the overall risks present in the mortgage application. Key risk elements addressed in our credit requirements include, LTV ratio, product type, number of units, property type and adequacy of collateral, occupancy type, credit score, DTI ratio, loan purpose, geographic concentration and loan age. The loan seller's determination of the mortgage delinquency risk, the assessment of the adequacy of the mortgaged property as security for the loan, the determination of whether the loan satisfies our eligibility criteria in all respects, and the acceptability of the documentation in the mortgage file should all enter into the decision on whether to deliver the loan to us.

Permitted Variances

In addition to the underwriting and eligibility standards outlined in our Selling Guide, our credit risk tolerance profile includes additional eligible loans that we acquire under specific Permitted Variances granted to specific loan sellers.

We will acquire variance loans only from those loan sellers that have demonstrated the capacity, systems capabilities and experience to originate and service loans in compliance with the specific terms of the Permitted Variance. We manage variance loans by requiring the specific terms of the Permitted Variance to be set forth in precise contract terms, which are applied on a case-by-case basis to individual loan sellers. All of the other terms and requirements of our Selling Guide continue to apply to variance loans, including the loan seller's representations and warranties and the obligation to repurchase a variance loan that fails to meet the terms of the Selling Guide, as amended.

We evaluate, approve and monitor variances to our Selling Guide in a systematic fashion. We require the loan seller to provide us with its rationale and analysis for the variance request and then we analyze the proposed credit risk parameters of the variance, any proposed offsetting or compensating risk parameters, the experience of the loan seller in originating and servicing the proposed variance loans, the performance of variance loans previously originated and serviced by the loan seller, the ongoing performance metrics to be applied to the variance loans and the forecast impact of the proposed variance loans on our overall risk profile, acquisition characteristics and MBS performance. If we agree on the terms of a Permitted Variance with a loan seller, we may update our loan level acquisition data edits to provide for the specific agreed features of the variance loan with the related loan seller. On an ongoing basis, we review and evaluate the performance of variance loans we have acquired to confirm that variance loans perform according to our expectations.

The table below summarizes the three largest categories of Permitted Variances that are present in the Reference Obligations. All other categories of Permitted Variances combined represent less than 1% of the aggregate amount of Reference Obligations (by unpaid principal balance).

Permitted Variance Category	% of Unpaid Principal Balance of the Reference Obligations ⁽¹⁾	Total Unpaid Principal Balance ⁽¹⁾	Number of Reference Obligations ⁽¹⁾	Weighted Average FICO ⁽¹⁾	Weighted Average LTV ⁽¹⁾
Loan Seller Proprietary AUS	4.2%	\$1,252,080,023	4,966	769	74.9%
Freddie Mac Loan Prospector® AUS	3.4%	\$1,020,475,684	4,079	767	74.3%
Condo / co-op	1.0%	\$ 308,370,647	1,211	769	74.5%

(1) Amounts are stated as of the acquisition dates.

The primary Permitted Variance categories, as shown in the table above, relate to (i) use of loan sellers' proprietary automated underwriting systems or "AUS" (see *Loan Sellers' Proprietary Automated Underwriting Systems* below for a further description), (ii) use of the AUS developed by Freddie Mac, (iii) delivery to us of loans secured by individual units in co-operative share ("**co-op**"), primarily in New Jersey and New York, and (iv) certain condominium projects within risk tolerances we have agreed upon with certain applicable lenders. We note that our Selling Guide requires specific loan seller approval in order to deliver co-op loans; as a result, the delivery of loans secured by this property type is limited to those loan sellers with demonstrated expertise with respect to those loans.

Underwriting Process

We provide two options to loan sellers for conducting a comprehensive risk assessment: automated underwriting, primarily through Desktop Underwriter®, or manual underwriting. Both methods include an evaluation of the borrower's equity investment, credit history, liquid reserves, reliable and recurring income, and the cumulative effect that these and other risk factors have on mortgage loan performance.

Desktop Underwriter® - General

Desktop Underwriter® ("**DU**") is a proprietary automated underwriting system that evaluates mortgage default risk and arrives at an underwriting recommendation by performing a comprehensive examination of the primary and contributory risk factors in a mortgage application. DU analyzes the information in the loan case file to reach an overall credit risk assessment to determine eligibility for delivery to us. Loan sellers may rely on a DU Approval/Eligible recommendation to deliver a loan to us. We grant a limited waiver of certain underwriting representations and warranties to a loan seller that sells an eligible mortgage underwritten with DU. Approximately 92% (by Cut-off Date Balance) of the Reference Obligations were underwritten using DU.

No single factor determines a borrower's ability or willingness to make his or her mortgage payments. When several high-risk factors are present in a loan case file without sufficient offsets, the likelihood of serious default increases. DU conducts its analysis uniformly and without regard to race, gender, or other prohibited factors. DU uses validated, statistically significant variables that have been shown to be predictive of mortgage default.

DU considers the following characteristics in the credit report to assess the creditworthiness of borrowers who have traditional credit histories: credit history, delinquent accounts, mortgage accounts, revolving credit use, public records, foreclosures, collection accounts and inquiries. The following additional mortgage risk factors are also evaluated: the borrower's equity and LTV ratio, liquid reserves, loan purpose, loan term, loan amortization type, occupancy type, total expense ratio, property type, and co-borrowers. DU performs a comprehensive evaluation, weighing each factor based on the amount of risk it represents and its importance to the recommendation. DU analyzes the results of this evaluation along with the evaluation of the borrower's credit profile to arrive at the underwriting recommendation for the loan case file. As part of our normal business operations, DU is reviewed

regularly to determine whether its risk analysis is appropriate based on new data and actual loan performance information.

Upon completion of its assessment, DU issues an Underwriting Findings report. The Underwriting Findings report summarizes the overall risk assessment and whether the loan is eligible for delivery to Fannie Mae, and outlines certain steps necessary for the loan seller to complete the processing of the loan file. If the loan is ineligible for delivery to Fannie Mae, the report indicates specific reasons, such as a credit score below our minimum requirements. This is typically the first report viewed by an underwriter or a loan officer after the loan case file has been underwritten with DU.

DU also provides specific messages for each individual loan case file to assist loan sellers in processing and closing loans. These include a number of "potential red flag" messages designed to help the loan seller detect inconsistencies in the loan case file as well as potentially fraudulent transactions. Neither the presence nor absence of these messages alters the loan seller's responsibility to ensure accurate information in all areas of the loan process or otherwise comply with applicable law, including the Fair Credit Reporting Act.

The loan seller is responsible for ensuring that all of the borrower data, property data and the credit report data used by DU in its underwriting analysis are accurate and complete. In addition, the loan seller remains responsible for employing prudent underwriting judgment in assessing whether a loan case file should be approved and delivered to us. The loan seller must confirm the accuracy of the data it submits, making sure that it did not fail to submit any data that might have affected the DU recommendation. The loan seller must ensure the loan complies with all of the verification messages and approval conditions specified in the Underwriting Findings report; apply due diligence when reviewing the loan file documentation; and determine if there is any potentially derogatory or contradictory information that is not part of the data analyzed by DU. The loan seller must also take action when erroneous data in the credit report or contradictory or derogatory information in the loan file would justify additional investigation or would provide grounds for a decision that is different from the recommendation that DU delivered.

Desktop Underwriter® - Documentation Requirements

DU indicates the minimum verification documentation requirements necessary for the loan seller to process the loan application. While DU offers the minimum required level of documentation, a more comprehensive level of documentation is always acceptable and in some instances should be required by loan seller when circumstances in the loan file warrant it.

DU documentation requirements are based on the specific risk factors present in each loan file. DU indicates the minimum documentation requirements for income and asset verification, credit-related documentation and level of property fieldwork.

Income and Employment Documentation Requirements. DU indicates the minimum income and employment verification documentation required to process a loan application. This level of documentation may not be adequate for every borrower and every situation. The loan seller must determine whether additional documentation is warranted. If the loan seller is unable to determine the stability of the borrower's income on the basis of the available documentation, the income must be removed and the loan resubmitted to DU.

For salaried borrowers, DU will recommend one of the following levels of documentation for employment and wages, bonus and overtime income and commission income less than 25% of a borrower's salary:

- one paystub, or
- one paystub and the previous year's W-2.

The loan seller may substitute a completed Request for Verification of Employment ("**written VOE**") (Form 1005 or Form 1005S) with year-to-date income for the paystub or for the paystub and W-2. The written VOE must contain the prior year's earnings if it is a substitute for the W-2.

For self-employed borrowers, DU will recommend one of the following levels of documentation for the borrower's income:

- one year's most recent personal signed federal income tax return,

- two years' most recent personal signed federal income tax returns, or
- two years' most recent personal and two years' most recent business signed federal income tax returns. Business tax returns do not have to be provided unless the business is a corporation, an S corporation or a partnership.

The tax returns must include a minimum of six months of self-employment income for the income to be included.

All borrowers are required to complete and sign IRS Form 4506-T at both application and closing (regardless of income source). Loan sellers must obtain a verbal verification of employment for all borrowers within 10 business days prior to the note date for employment income, or a verification of the business within 30 calendar days prior to the note date for self-employment income.

DU Appraisal Requirements. Appraisers must use the most recent version of the appraisal forms and include any other data—either as an attachment or addendum to the appraisal report form—needed to adequately support the opinion of market value. DU will recommend the minimum appraisal requirements based on the overall risk assessment of the loan. The loan seller is responsible for determining when the circumstances of a loan warrant conducting an additional level of review.

Based on an overall risk assessment of the loans and the specific property type, DU will recommend one of the following appraisal forms:

- Appraisal with Interior and Exterior Property Inspections:
 - Uniform Residential Appraisal Report (Form 1004)
 - Individual Condominium Unit Appraisal Report (Form 1073)
 - Individual Cooperative Interest Appraisal Report (Form 2090)
 - Manufactured Home Appraisal Report (Form 1004C)
 - Small Residential Income Property Appraisal Report (Form 1025)
- Appraisal with Exterior Property Inspections:
 - Exterior-Only Inspection Residential Appraisal Report (Form 2055)
 - Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)
 - Exterior-Only Inspection Individual Cooperative Interest Appraisal Report (Form 2095)
- DU Property Inspection Report:
 - Desktop Underwriter Property Inspection Report (Form 2075)

In addition to the above property valuation recommendations, DU offers a limited number of property fieldwork waivers for certain loans with an exceptionally strong overall credit profile.

Appraisals with exterior-only property inspections require an exhibit with a street map that shows the location of both the subject property and the comparable sales and a photograph that shows the front scene of the subject property. When DU recommends an appraisal with an exterior-only inspection, loan sellers must ensure that appraisers:

- provide descriptions of the physical characteristics of the property based on reliable data sources for the property and location, and
- use the same type of data sources used for comparable sales.

Regardless of the DU recommendation, loan sellers are required to obtain an appraisal with an interior and exterior inspection if:

- the property does not conform to the neighborhood,
- adverse physical deficiencies or environmental conditions are observed, or
- data sources do not provide sufficient information about the property to perform the appraisal.

When DU recommends Form 2075 based on the credit profile of the borrower, the property type and its automated valuation measure of the mortgaged property, the loan seller is not responsible for estimating the value of the mortgaged property or for the traditional warranties regarding the valuation of the property but is responsible for determining the acceptability of Form 2075 for the particular property. To complete a Form 2075, a loan seller is required to have a licensed appraiser physically inspect the property and surrounding neighborhood and submit a written report on the exterior property condition and findings. If the inspection indicates that there are adverse physical deficiencies or conditions or that the subject property does not conform to the neighborhood, the loan seller is required to provide a full interior and exterior appraisal on Form 1004.

For loans constituting approximately 16.28% of the Reference Pool (by Cut-off Date Balance), DU offered the loan seller the option to use Form 2075 (Property Inspection Form) for the property inspection in lieu of an appraisal with an interior or exterior property inspection. Loan sellers may require a more detailed appraisal in their discretion; however, we do not monitor whether they do so.

For loans constituting approximately 2.73% of the Reference Pool (by Cut-off Date Balance), DU offered the related loan seller the option to waive the property inspection based on the risk profile of the loan. Loan sellers may, in their discretion, require an appraisal or property inspection even if not required by us; however, we do not monitor whether they do so.

Loan Sellers' Proprietary Automated Underwriting Systems

Subject to a Permitted Variance, we also may acquire mortgage loans that have been underwritten by loan sellers' AUS. In order to be considered for an AUS Permitted Variance, a loan seller must demonstrate the robustness of its proprietary AUS system and its suitability for underwriting loans delivered to Fannie Mae. Before agreeing to acquire loans underwritten by a loan seller's AUS, we review the parameters and data elements that contributed to the evaluations and decisions of the AUS, and we evaluate a significant portfolio of test loans and compare the AUS results to the evaluations of the same loans using DU. In addition, on a regular basis, we review loans delivered under a loan seller's AUS and submit them to a DU simulator to assist in evaluating the related risk. Based on this ongoing analysis we may make changes to the eligibility terms of our AUS variance, including overlaying minimum credit limits, applying maximum LTV ratios or revoking a loan seller's ability to use the AUS. Other than a limited waiver of certain underwriting representations and warranties that is granted to a loan seller that sells an eligible mortgage underwritten with a permitted AUS, such loan seller must still make the full array of underwriting representations and warranties to us.

During 2012, three loan sellers were permitted to deliver loans underwritten through the loan seller's proprietary AUS. In addition, we have authorized additional loan sellers to deliver loans to us that had been evaluated by Freddie Mac's Loan Prospector AUS.

Manual Underwriting

Loan sellers that choose to manually underwrite a mortgage application are expected to follow the comprehensive risk assessment approach, which requires the loan seller to evaluate the LTV, credit score, occupancy, loan purpose, property type, DTI and other factors as outlined in the Selling Guide. Under this approach, loan sellers evaluate key elements to assess the overall level of delinquency risk by taking into consideration any layering of risk factors, the significance of those factors and the overall risks present in the mortgage application. The loan seller represents and warrants to us that each loan it underwrites manually is eligible to be acquired by us.

The Eligibility Matrix, available through Fannie Mae's Business Portal and incorporated in Fannie Mae's Selling Guide, provides the comprehensive LTV, combined loan-to-value ("CLTV"), and home equity combined loan-to-value ratio requirements for conventional first mortgages eligible for delivery to us. The Eligibility Matrix also includes credit score, minimum reserve requirements (in months), and maximum DTI ratio requirements for manually underwritten loans. The Eligibility Matrix provides a foundation for assessing the risk of a manually underwritten loan, and identifies the risk elements to evaluate for each transaction type. The loan seller's determination of the mortgage delinquency risk, the assessment of the adequacy of the property as security for the mortgage, the determination of whether the mortgage satisfies our mortgage eligibility criteria, and the acceptability

of the documentation in the mortgage file should all factor into the decision whether to deliver the mortgage to us. The loan seller must fully document the results of its comprehensive risk assessment and final underwriting decision, and ensure that the information used to reach its assessment is valid, accurate and substantiated.

All manually underwritten mortgage loans sold to Fannie Mae require an appraisal based on an interior and exterior property inspection and must be completed on the appropriate form depending on the property type.

Appraisal Standards and Controls

Our goal is to acquire only those mortgage loans that the borrower is able to sustain, and a key factor we use to evaluate the sustainability of a borrower's home ownership is the value of the home and the borrower's equity in it. If a borrower does default, we rely on capturing the value of the home to recover at least a portion of our loan. To evaluate the adequacy of the mortgaged properties as collateral for our investment, we require loan sellers to obtain appraisal reports with reliable opinions of market value on most of the loans that we acquire. For a portion of the Reference Obligations in the Reference Pool, DU provided for the use of a Form 2075 (Property Inspection Form) instead of an appraisal or a property inspection waiver; see "*—DU Appraisal Requirements*" above. We include detailed appraisal, property and project requirements in our Selling Guide to allow loan sellers to make prudent underwriting decisions and to assure that the mortgaged properties have the value to sustain home ownership and protect our interest.

In particular, we have developed common standards and requirements relating to appraisals as part of our ongoing effort with Freddie Mac and the FHFA to enhance the accuracy and quality of data required at loan delivery. Loan sellers are required to use the Uniform Collateral Data Portal® ("**UCDP**") to electronically submit appraisal reports prior to delivering the mortgage loan to us. The Uniform Appraisal Dataset® ("**UAD**"), which forms a part of the UCDP, defines all fields required for a complete appraisal submission and provides standardized definitions and responses for certain appraisal fields. We evaluate appraisal quality in part based on the appraiser's adherence to UAD when the appraisal file is submitted to the UCDP.

Loan Delivery Controls

Loan Data Delivery and Quality Assurance

Loan data for all mortgages must be transmitted to us using Loan Delivery, an electronic web-based application that allows loan sellers to deliver whole loans for purchase and MBS loans for securitization. Loan sellers can import loan and pool data, perform edits to facilitate loan delivery, transfer loans between commitments (or pools), track the status of loan deliveries, generate reports, and export loan and pool data back to the loan seller's organization.

We and Freddie Mac have agreed upon a common set of loan delivery data requirements, known as the Uniform Loan Delivery Dataset ("**ULDD**"), applicable to all single-family loans delivered on or after July 1, 2012. ULDD supports improved quality and accuracy of data and helps loan sellers and us to manage risk through efficient collection and use of standardized information concerning loan terms, collateral and borrowers.

The loan seller must provide information about certain borrower and property characteristics as part of the loan delivery data. Although loan sellers are strongly encouraged to provide all data at the time of initial loan delivery, any missing or corrected data must be provided by the loan seller as soon as possible after initial delivery.

All loans delivered to us are submitted to an automated validation process to test data and eligibility. The loan seller submits data into Loan Delivery, where the data is tested for compliance with certain eligibility rules. If there is a breach of the rules, we evaluate the nature of the breach, and for certain significant breaches the loan seller must resolve the breach and re-validate eligibility. A loan seller may deliver loans to us for funding or issuing only if there are no outstanding significant breaches for the loans.

Loan Documents and Custodial Process

We require loan sellers to maintain copies of certain documents relating to mortgage loans acquired by us, some of which must be held either by our designated document custodian ("**DDC**") or by another custodial institution that meets the following eligibility criteria as set out more fully in the Selling Guide and in our Requirements for Document Custodians ("**RDC Guide**") (either such custodian, a "document custodian"):

- must be a federally regulated institution or a subsidiary of such an institution;
- must be in good standing with its regulator; and
- must have a financial rating of "125" or better from IDC Financial Publishing or "C" or better from Kroll Bond Ratings Agency.

If a loan seller or servicer (or an affiliate of a loan seller or servicer) satisfies these eligibility criteria, meets any other conditions that we may require and receives approval from us, it may act as document custodian for mortgage loans we acquire.

The document custodian must review and examine all custody documents to ensure that all required documents are received and that they conform to the data and documentation provisions of the Selling Guide and the RDC Guide. In order for us to provide funding to the loan seller, the loan or pool must be certified by a document custodian. The certification must state that the document custodian has examined, and maintains physical custody and control of, the required documents for the mortgages. Our certification processes for whole loan and MBS deliveries are designed to assure us and the marketplace that all mortgage loans purchased or securitized by us conform to our requirements, meet the characteristics attributed to them in MBS disclosures or on the basis of which we acquired them, and are not subject to the liens or claims of any third-parties.

Document custodians are subject to certain additional requirements, including monthly assurance checks, annual re-certifications and randomly-selected independent quality assurance reviews performed by us. We require that document custodians develop and implement a monthly quality control review process to examine the quality of document and data certifications for the prior month. We review the results of the monthly quality control once a year, but reserve the right to increase the frequency depending on individual circumstances. All findings from the monthly quality control must be documented in a Findings Report. Each document custodian is also required to engage the services of an independent third-party audit firm to perform an annual audit to assess whether the document custodian satisfies our eligibility criteria and operates in compliance with our requirements. Document custodians are responsible for all costs associated with the independent audit. The auditor should exercise judgment in adapting the audit requirements to a specific document custodian's processes and procedures. Any variation or departure from the outlined requirements must be reviewed with us in advance. Upon receipt of the auditor's final audit report, the document custodian must provide a copy to us. We will review the audit results and work with the document custodian to track remediation items through to resolution. The document custodian is responsible for providing proof that audit review results were remediated to our satisfaction. At any time, with or without cause, we have the right to require a document custodian to transfer documents to a different document custodian, which may be a DDC or another eligible document custodian.

Quality Control

Fannie Mae Quality Control Policy and Process

General

We have established quality control ("**QC**") policies and procedures to evaluate mortgage loans on a comprehensive basis with the primary goal of confirming that the mortgage loans we acquire meet our underwriting and eligibility requirements.

When we acquire a mortgage loan, we rely on representations and warranties of the loan seller with respect to many critical aspects of the loans. These representations and warranties cover such matters as the:

- accuracy of the information provided by the borrower;

- accuracy and completeness of any information provided by a loan seller to us, including third party reports prepared by qualified professionals, such as property appraisals and credit reports;
- validity of each mortgage loan as a first-lien on the mortgaged property;
- fact that payments on each mortgage loan are current at the time of delivery to us;
- physical condition of the mortgaged property at the time of delivery of the mortgage loan to us;
- originator's compliance with all applicable federal, state and local laws, including state anti-predatory lending statutes; and
- loan seller's compliance with our purchase agreements, including the Selling Guide and any applicable Permitted Variances.

We conduct several different types of QC reviews with respect to mortgage loans, including post-purchase reviews, early payment default reviews, servicing reviews and post-foreclosure reviews. In our post-purchase QC reviews, we review a statistically valid random sample of newly acquired performing mortgage loans and we augment this random sample with targeted, discretionary sampling according to various factors, including the loan sellers' status, the performance of the loans we have acquired from the loan sellers previously and the features of the loans. When our counterparty monitoring procedures identify a loan seller or servicer with increased financial risk, we may accelerate or increase the review of loans from such loan seller or servicer. If a loan seller or servicer declares bankruptcy, enters receivership, or is terminated by us, we may discontinue the selection and/or review of loans from such seller or servicer if we deem the probability of any future recoveries on such loans to be low. We have the right to move loan servicing from a financially troubled servicer in order to ensure that we have a stronger counterparty responsible for the representations and warranties on loans we own or guaranty.

During the course of any of our QC reviews, we may identify:

- Underwriting Defects;
- breaches of selling representations or warranties, including instances of fraud or misrepresentation or that a selling warranty the loan seller made is untrue;
- breaches of the terms of applicable contract provisions; or
- servicing deficiencies that have had a materially adverse effect on the value of the mortgage loan or the acquired property.

If we identify any of the foregoing, we may require the immediate repurchase of a mortgage loan or an acquired property, full indemnification with respect to a mortgage loan or an acquired property or the remittance of a make-whole payment. However, our quality control processes are not designed to uncover all violations of applicable representations and warranties related to the Reference Obligations or to validate all of the terms of the mortgage loan security documents.

We refer to any loans that may have missing loan file documents or otherwise do not fully conform to all applicable underwriting requirements for such loan as having "**Underwriting Defects**". Underwriting Defects may be minor and unimportant to the security or performance of a loan or they may be significant. We refer to any Underwriting Defect or breach of a representation or warranty with respect to a loan that we determined to be significant enough to warrant issuing a repurchase request to the related loan seller or servicer (and for which the related loan seller or servicer was unable to provide us with a sufficient rebuttal that warranted withdrawal of the repurchase request) as a "**Significant Finding**" and describe the portion of the random sample with Significant Findings as the "**Significant Findings Rate**." The Significant Findings Rate does not necessarily indicate how well our mortgage loans ultimately will perform.

We use the results of our QC process to provide loan sellers with data and feedback about the quality of their loan origination processes. We engage loan sellers in frequent exchanges of information about trends in the quality of delivered loans and to inform loan sellers about Underwriting Defects identified through the QC processes. Our goal in our QC processes and these exchanges is to identify loans with Underwriting Defects earlier in their lifecycle so we can provide timely feedback to loan sellers, which may lead to systemic improvements in the loan origination process.

Based on these reviews covering the three-year period ending September 30, 2013, the percentage of loans we acquired that have Significant Findings has been reduced. As of September 30, 2013, the preliminary estimate of

the "non-Refi Plus" loans we acquired in the twelve months ended December 31, 2012 that had Significant Findings Rate was approximately 1.7%, compared with approximately 3.2% for loans acquired in the twelve months ended December 31, 2011 and approximately 4.5% for loans acquired in the twelve months ended December 31, 2010. These estimates are subject to change, perhaps materially, as we work through reconciliation with loan sellers of loans with Significant Findings acquired during these periods.

The Significant Findings Rate is based on the population of loans that are selected on a random basis for post-purchase QC review. In addition, we select loans for review on a discretionary basis. Types of reviews conducted on the discretionary selection population may include full credit, appraisal, and compliance reviews, as well as other more limited types of reviews such as compliance-only reviews, anti-fraud reviews, and other targeted reviews.

Beginning with loans acquired in 2013, and in conjunction with our new representations and warranties framework discussed below, we changed the way we review loan files in order to provide loan sellers with better and earlier feedback on Underwriting Defects. We also continue to take advantage of recent advancements in tools and data-gathering to support our process. We do not yet know what impact this change will have on our Significant Findings Rates, but it may limit the usefulness of comparative data between prior and future periods.

See "Risk Factors—Risks Relating to the Notes Being Linked to the Reference Pool—Fannie Mae's Limited Review of a Sample of a Small Percentage of the Mortgage Loans in the Reference Pool May Not Reveal All Aspects Which Could Lead to Credit Events."

Scope of Quality Control

Our loan level post-purchase quality control reviews are designed to allow us to evaluate independently whether loans we have acquired meet our underwriting and eligibility requirements, based on our determinations regarding the borrowers' credit and income and the value of the properties collateralizing the loans. These reviews are based on a combination of the documents and information submitted to us by the loan sellers (the "**Review File**") together with information regarding the borrower and the property that we develop ourselves. Our reviews of borrowers' credit include an analysis of the borrowers' income and expenses, debt ratios, assets and liabilities, credit scores and payment histories. In conducting our reviews, we rely on the loan documentation provided to us by loan sellers as well as information we develop from public records, employers, updated credit histories and other sources. Our reviews of property values are based on the appraisals submitted by loan sellers, our data base of property information, including values of comparable properties near the subject property, and commercial data bases of property values and market trends. The purpose of our review of property values in the context of our loan level QC reviews is to confirm the adequacy of the properties to collateralize the risk we have incurred relative to the loans we have acquired. Our limited compliance reviews test for compliance with laws that may result in assignee liability and that restrict points and fees ("**Limited Compliance Reviews**"), but we do not examine all of the documents necessary to ensure that a mortgage loan complies with all applicable federal, state and local laws and regulations.

During the course of our QC reviews, we may identify:

- Underwriting Defects;
- breaches of selling representations or warranties, including instances of fraud or misrepresentation;
- breaches of the terms of applicable contract provisions; or
- servicing deficiencies that have had a materially adverse effect on the value of the mortgage loan or the acquired property.

If any of the foregoing are identified, we may require the repurchase of the loan. We provide loan sellers with an opportunity to re-evaluate loans we have requested them to repurchase and, as appropriate, to send additional information to us regarding the loans. We examine any additional information loan sellers provide prior to taking a final decision regarding a loan seller's obligation to repurchase loans.

None of the procedures conducted as part of our reviews constitute, either separately or in combination, an independent underwriting of the mortgage loans. In addition, the procedures conducted as part of the review of the original appraisals were not re-appraisals of the mortgaged properties. To the extent that we used valuation tools as

part of the appraisal review process, they should not be relied upon as providing an assessment of value of the mortgaged properties comparable to that which an appraisal might provide. They also are not an assessment of the current value of any of the mortgaged properties.

Our post-purchase loan level reviews are not designed or intended to evaluate the loan seller's origination processes, the completeness of the loan seller's documentation, the effectiveness of the loan seller's QC procedures or the compliance of the loans with all applicable laws and regulations; we separately evaluate these in our on-site Mortgage Origination Risk Assessment reviews and our oversight of loan sellers' QC programs. See "*Loan Seller and Servicer Management and Oversight – Additional Monitoring of Loan Sellers*".

QC File Request and Submission Requirements

Loan sellers are notified which mortgage loans we have selected for QC review via written or electronic notification.

Loan sellers must maintain a complete mortgage loan file, including all documents used to support the underwriting decision. Upon our request, loan sellers must provide copies of the complete mortgage loan file, as described in the request. Loan sellers must send the requested documentation for an underwriting or servicing review within 30 days after we notify such loan seller that we have selected a mortgage loan for review. We, in our sole discretion, may request the documentation in a shorter or longer period of time based upon circumstances at the time.

We will make an effort to work with loan sellers when extenuating circumstances prevent them from delivering documentation in a timely manner. However, if a loan seller delays in providing the requested information, we, in our sole discretion, may require indemnification, repurchase or a make-whole payment (depending on the circumstances of the individual case) in respect of these mortgage loans. When a loan seller has a pattern of extensive delays or unresponsiveness, we may consider this a breach of contract and consider other actions against such loan seller, up to and including termination.

QC Report of Findings

We evaluate the mortgage loan file with the primary focus of confirming that the mortgage loan meets underwriting and eligibility requirements. A mortgage loan is ineligible if errors or failures are uncovered in the file that would have resulted in our refusal to purchase the mortgage loan on the terms delivered had the facts been known at the time of acquisition.

We provide loan sellers with ongoing feedback about their overall QC performance. The level of detail provided to each loan seller varies, but may include identifying defect types, reporting on frequent or common defects, and describing quality trend analyses and Underwriting Defects identified through the QC review process. This information is provided through a variety of methods that range from regular electronic transmissions to more formal periodic discussions.

When we identify a defective mortgage, we may, in our sole discretion, impose a condition to retaining the loan, such as requiring the loan seller to agree to an alternative remedy to repurchase (for example, executing an indemnification agreement or providing a make-whole payment). In some cases, we will issue a repurchase, indemnification or make-whole request to the lender. The defects that give rise to a repurchase, indemnification or make-whole request consist of errors or failures that we identify as significant.

For performing mortgage loans with Underwriting Defects, we may not require immediate repurchase, but may instead request indemnification or a make-whole payment. The nature and severity of the findings, financial and operational strength of the loan seller, the quality of the mortgages sold, servicing performance, and the loan payment history are criteria used by us in deciding whether to use this option.

Appeal of QC Review Decisions

A loan seller may submit a written appeal of our repurchase request or repurchase alternative request within 60 days of its receipt (or other specified time). If the appeal is denied and the loan seller has additional material information, the loan seller may submit a second appeal in writing within 15 days from the date of the denial letter (or other specified time). If the loan seller appeals the repurchase or repurchase alternative request and we deny the appeal(s), the loan seller must, within 15 days from the date of the denial letter (or other specified time), complete

the repurchase of the mortgage loan or property, submit the indemnification or make-whole payment, or, if the repurchase involves an active loan that will be involved in a servicing transfer, notify us of the name of the new servicer and the date of the servicing transfer. Our decision on an appeal is conclusive and we are not obligated to consider any independent third-party repurchase review of the appeal.

Loan Remediation Process

Repurchases

A defective mortgage loan identified through our QC process may result in loan repurchases, full indemnification, make-whole payments or alternative remedial actions. Breach of a loan seller's representation or warranty or other violation of the loan seller contract (e.g., fraud or misrepresentation) will give rise to our right to issue a repurchase request or, if the property has been liquidated, a full indemnification or make-whole request to the loan seller.

If a mortgage loan was repurchased by a loan seller, and the repurchased loan is subsequently made compliant with our current standards, the loan may be redelivered to us, at our sole and absolute discretion, on a negotiated basis. In the event that a mortgage loan is deemed ineligible for redelivery or rejected by us upon redelivery, any future losses incurred after repurchase are the responsibility of the loan seller. A redelivered loan would not be included in the Reference Pool since the Reference Pool is fixed and since a redelivered loan would be considered a new delivery.

Alternatives to Repurchases

In certain circumstances, we may provide the loan seller with an alternative to the immediate repurchase of a mortgage loan that does not meet our requirements. In each such case, we notify the loan seller of the type and terms of the repurchase alternative. The alternatives may include any one or more of the following, as determined by us in our sole discretion:

- (i) Recourse – agreement by loan seller to provide recourse for life of loan or other specified period. At our discretion, we may require loan seller's obligation to be secured by specified collateral.
- (ii) Indemnification – agreement by loan seller to indemnify us for any losses, costs, etc. on the mortgage loan. At our discretion, we may require loan seller's obligation to be secured by specified collateral.
- (iii) Loss share – agreement between us and loan seller to each pay a specified proportion of any future losses on the mortgage loan.
- (iv) Loss reimbursement – agreement by loan seller to reimburse us for specified losses on the mortgage loan.
- (v) Pricing adjustment – assessment by us and payment by loan seller of a guaranty fee adjustment or additional loan-level price adjustment related to the mortgage loan.
- (vi) Conditional recourse/indemnification – agreement by loan seller to provide recourse or indemnification on the mortgage loan subject to one or more specified conditions.

Mortgage loans that are subject to a remedy described in clauses (i)-(iv) above are not eligible for initial inclusion in the Reference Pool. If a remedy described in clauses (i)-(iv) above is imposed after a loan has been included in the Reference Pool, we will remove such loan from the Reference Pool. A pricing adjustment, as described in clause (v) above, will not trigger removal from the Reference Pool unless the Reference Obligation is otherwise the subject of a Reference Pool Removal. A conditional recourse/indemnification commitment from a loan seller will not trigger the removal of a Reference Obligation from the Reference Pool.

Certain repurchase alternatives may be available only to a loan seller that is in good standing with us, that is in a strong financial condition acceptable to us, and that otherwise satisfies our eligibility criteria. If the servicing of a mortgage has been transferred to a loan seller other than the one that sold the mortgage loan to us, eligibility for this benefit will be based on an evaluation of the servicer. In determining a loan seller's (or servicer's) eligibility for this repurchase alternative, we will evaluate the following:

- the quality of the mortgage loans the loan seller sells to (or services for) us, as measured by comparing the delinquency rates for comparable portfolios;
- the quality of the servicing performance, as measured by the loan seller's loss mitigation activities; and
- the overall financial strength of the loan seller, as reflected in the loan seller's annual financial statements and any other periodic financial reports the loan seller submits to us.

We also will periodically assess the loan seller's ongoing underwriting performance and contingent repurchase exposure (i.e., the loan seller's repurchase risk exposure in relation to its financial ability). When appropriate, we may change the loan seller's eligibility status for a repurchase alternative.

Payment of Repurchase Proceeds

For mortgage loans acquired by us prior to January 1, 2013, the loan seller must pay us the funds that are due in connection with a repurchase, full indemnification or make-whole payment request within 30 days (or with its next scheduled remittance following the completion of the 30-day period).

New Loan Seller Representations and Warranties Framework

In September 2012, we announced the implementation of a new representation and warranty framework that applies to mortgages acquired on or after January 1, 2013. Under the new framework, loan sellers will be relieved of their obligations to remedy mortgage loans that are in breach of certain underwriting and eligibility representations and warranties if the borrower meets specific payment history requirements and other eligibility criteria. No relief will be available for breaches of certain "life of loan" representations and warranties, regardless of the borrower's payment history. The loans compromising the Reference Pool are not subject to the new representation and warranty framework.

Loan Seller Quality Control Requirements

General

A loan seller is required to establish its own set of standards for loan quality. The standards define the loan seller's credit culture and aid in the development of the appropriate controls necessary to ensure that the mortgage loans originated and closed by the loan seller are investment quality. The loan seller must also develop and maintain a QC program that defines its standards for loan quality and establishes processes designed to achieve those standards throughout its entire origination business. The program must include reporting results of the quality reviews to the loan seller's senior management, who should prescribe actions addressing and remediating defects discovered in the loan seller's review process. A loan seller that fails to maintain effective QC systems and processes will be in breach of its contractual obligations with us.

A loan seller must determine the appropriate balance among pre-funding, post-closing and contractor-performed QC reviews. For example, if a loan seller identifies a particular source of business as high-risk based on the mortgage loan product or type of origination, it may decide to conduct pre-funding reviews for a sample of such mortgage originations. There is no single, optimal QC plan appropriate to every loan seller. Therefore, we encourage each loan seller to use a broad risk-management perspective in developing and changing its QC approach.

Pre-funding QC

A loan seller's written QC plan must include a process for reviewing a sampling of its loans prior to funding. Reviews performed prior to funding provide important and timely feedback to the origination staff and may prevent closing mortgage loans with substantial defects such as misrepresentation, inaccurate data or inadequate documentation. We recommend that the loan seller have procedures for reporting defects identified in the review to its senior management and those parties responsible for resolving such defects and an action plan that includes documenting the resolution of the defects.

Post-Closing QC

A loan seller's written QC plan must also include its processes for evaluating and monitoring the overall quality of its mortgage production and its re-verification procedures. The loan seller must re-verify the accuracy and integrity of the information used to support the lending decision for any mortgage loans selected for a QC review. For loans underwritten through DU, the loan seller must validate the integrity of the loan file data and confirm that any conditions for approval were satisfied and any "potential red flag" messages were addressed and documented. For manually underwritten loans, the loan seller must determine that the mortgage loan was properly underwritten and that sound underwriting judgments were made in accordance with our guidelines and requirements.

Contractor-Performed QC Reviews

A loan seller may outsource its QC processes; however, we hold the loan seller fully accountable for the work performed by its contractors. The loan seller must establish a process for reviewing the contractor's work, have procedures to address findings identified in the reviews and implement corrective actions within the loan seller's organization. The loan seller must ensure that the contractor's staff members possess the qualifications and experience required to provide quality reviews and analysis.

Reporting Requirements

QC review results are required to be reported on a regular basis to the loan seller's senior management within 30 days after the review is completed. The loan seller must have procedures in place requiring response to, and resolution of, findings identified in the QC review process. The loan seller is also required to notify us within 30 days of confirming any misrepresentation or breach of a selling warranty, including fraud. In addition, any fraudulent or dishonest activities by loan sellers, contractors, or brokers must be reported to us immediately. A record of activity must be maintained and made available to us upon request. We may perform additional audits as needed.

Audit Review of the QC Process

Each loan seller must have an audit process to ensure that its QC process and procedures are followed by the QC staff, and that assessments and conclusions are recorded and consistently applied. The findings must be accurately recorded and consistent with the defects noted in the loan seller's system of record. Results of the QC audit must be distributed to senior management, who must distribute the results to the appropriate areas within the organization and establish an action plan for remediation or changes to policies or processes, if appropriate.

Ongoing Surveillance and Feedback

General

We have built an integrated framework to evaluate detailed information regarding loan sellers, their operating controls and efficiencies, the quality of their loan and data deliveries to us, the performance of the loans we acquire from them and the results of our review of their loans and quality control procedures. We have dedicated QC specialists that provide loan sellers with ongoing feedback about their overall loan and QC performance. The level of detail provided to each loan seller varies, but may include identifying defect types, reporting on frequent or common defects and describing quality trend analyses and Underwriting Defects identified through the QC review process. This information is provided through a variety of methods that range from regular electronic transmissions to more formal periodic discussions. In addition, in some cases, we hold periodic on-site meetings with our loan sellers, including the loan seller's senior management, to provide in depth feedback about their overall performance and the quality of their loans. These on-site meetings may occur annually for our largest loan sellers and more frequently for the other sellers, depending on our evaluation of the other loan sellers and the performance of the loans we acquire from them.

Loan Seller Training and Feedback

Based on topics identified in our QC review feedback, QC specialists are aligned with account teams to identify and help to remediate findings, defects and trends that are occurring in the loan seller's QC process. QC specialists

also provide analysis and recommendations related to the quality of a loan seller's loan and origination processes to be used as an input for our account teams and risk managers during executive engagement with the loan seller.

We provide ongoing instruction through one-on-one consultation and online webinars on doing business with us. Because personnel, guidelines and policies change over time, we provide regular online training sessions to inform loan sellers of these changes. We further share best practices in QC, risk management and operational risk techniques. The Training Resources Catalog located at <http://documents.efanniemae.com/sf/formsdocs/> offers a collection of resources that is available to loan sellers. *Beyond the Guide* and the Quality Control Self-Assessment Tool offer loan sellers additional recommendations for enhancing QC efforts beyond the minimum standards reflected in the Selling Guide. These recommendations include approaches that may prevent Underwriting Defects in the origination process.

Loan Performance Monitoring

A mortgage analytics team produces and monitors reporting on our loan acquisitions. Early and later warning reports compare actual loan performance against expected performance. The mortgage analytics team reviews cohorts by risk attributes and loan sellers to look for areas of the business that are performing worse than expected. The customer account risk managers use these reports and metrics to engage routinely with our largest loan sellers to discuss early performance trends and acquisition profiles versus national averages. In addition, loan acquisition and performance trends are reviewed at periodic intervals by senior management on an ongoing basis. Based on the above analysis, our risk and policy teams conduct inquiries on underperforming segments of business to determine if any actions are needed. Such actions may include making changes to our underwriting guidelines or eligibility criteria, making changes to Desktop Underwriter[®], enacting additional upfront controls and providing additional loan seller monitoring or training.

Servicing Standards

General

Generally, the servicing of the mortgage loans that are held in our mortgage portfolio or that back our MBS is performed by servicers on our behalf. Typically, loan sellers who sell single-family mortgage loans to us service these loans for us. For loans we own or guarantee, the loan seller or servicer must obtain our approval before selling servicing rights to another servicer.

Our servicers typically collect and deliver principal and interest payments, administer escrow accounts, monitor and report delinquencies, perform default prevention activities, evaluate transfers of ownership interests, respond to requests for partial releases of security, and handle proceeds from casualty and condemnation losses. Our servicers are the primary point of contact for borrowers and perform a key role in the effective implementation of our homeownership assistance initiatives, negotiation of workouts of troubled loans and other loss mitigation activities. If necessary, servicers inspect and preserve properties and process foreclosures and bankruptcies. Because we generally delegate the servicing of our mortgage loans to servicers and do not have our own servicing function, our ability to actively manage troubled loans that we own or guarantee is limited.

We compensate servicers primarily by permitting them to retain a specified portion of each interest payment on a serviced mortgage loan as a servicing fee. Servicers also generally retain prepayment premiums, assumption fees, late payment charges and other similar ancillary charges, to the extent they are collected from borrowers, as additional servicing compensation. We also compensate servicers for negotiating workouts on delinquent loans.

Delinquent Loan Management

Our servicers are the primary points of contact for borrowers and perform a vital role in our efforts to reduce defaults and pursue foreclosure alternatives. We seek to improve the servicing of our delinquent loans through a variety of means, including improving our communications with and training of our servicers, directing servicers to contact borrowers at an earlier stage of delinquency and improve their telephone communications with borrowers, and holding our servicers accountable for following our requirements. In 2011, we issued new standards for servicers regarding the management of delinquent loans, default prevention and foreclosure timeframes under

FHFA's directive to align GSE policies for the servicing of delinquent mortgages. The new standards, reinforced by new incentives and compensatory fees, require servicers to take a more consistent approach to borrower communications, loan modifications and other workouts, and, when necessary, foreclosures.

In addition to the new standards, we took other steps to improve the servicing of our delinquent loans, which included transferring servicing on loan portfolios that include loans with higher-risk characteristics to special servicers with which we have worked to develop high-touch protocols for this purpose. We believe retaining special servicers using high-touch protocols will reduce our future credit losses on the transferred loan portfolio. We continue to work with some of our servicers to test and implement high-touch servicing protocols designed for managing higher-risk loans, which include lower ratios of loans per servicer employee, beginning borrower outreach strategies earlier in the delinquency cycle and establishing a single point of contact for distressed borrowers.

Our delinquent loan management strategies are primarily focused on reducing defaults to avoid losses that would otherwise occur and pursuing foreclosure alternatives in an attempt to minimize the severity of the losses we incur. If a borrower does not make required payments, or is in jeopardy of not making payments, we work with the servicers to offer workout solutions to minimize the likelihood of foreclosure as well as the severity of loss. Our loan workouts reflect our various types of home retention solutions, including loan modifications, repayment plans and forbearances, and foreclosure alternatives, including short sales and deeds-in-lieu of foreclosure. When appropriate, we seek to move to foreclosure expeditiously.

Our servicers are required to develop, follow and maintain prudent and efficient written procedures that meet our requirements under our Servicing Guide for promptly curing defaults and delinquencies and complying with applicable laws. Servicers are required to employ an experienced and skilled staff in financial consulting and mortgage collection techniques. Servicers may also hire subservicers, specialty servicers and vendors to conduct these activities and, in some circumstances, we may require a servicer to do so if we reasonably believe that such servicer is not adequately equipped to conduct default servicing and loss mitigation. We allow servicers to grant a grace period of fifteen days after the due date in which a borrower can make a monthly payment without incurring a penalty or late charge. In addition, a mortgage loan is not considered delinquent unless a full monthly payment has not been received by the close of business on the last day of the month of the due date. Late charges are generally assessed after the due date at the expiration of a grace period, if applicable. Late fees can be waived based on borrower account circumstances.

Servicers are required to contact a delinquent borrower early in the delinquency process and throughout the delinquency cycle in order to mitigate the risk of default. The servicer is required to contact a delinquent borrower to establish a rapport and discuss with the borrower the options for resolving the delinquency. The servicer must attempt to determine the reason for the delinquency, whether or not the borrower has vacated the premises, and the borrower's perception of his/her financial circumstances and ability to repay the debt. The servicer must also set payment expectations and educate the borrower on alternatives to foreclosure and obtain a commitment from the borrower to resolve the delinquency through traditional or alternative solutions.

Loan workout activities are a key component of our loss mitigation strategy for managing and resolving troubled assets and lowering credit losses. Our loss mitigation strategy emphasizes early intervention by servicers in delinquent mortgage loans and provides alternatives to foreclosure. We provide our servicers with default management tools designed to help them manage delinquent mortgage loans and mortgage loans that, even if current, are at risk of imminent default. Our goal is to assist borrowers in maintaining home ownership where possible, or facilitate foreclosure alternatives when continued homeownership is not an option. We require our servicers to follow a standardized protocol of workout options with the intention of determining and delivering the right kind of assistance needed to resolve the particular borrower's distress and minimize losses. Our loan workouts include:

- *Forbearance agreements*, where reduced payments or no payments are required during a defined period, generally less than one year. Forbearance agreements provide additional time for the borrower to return to compliance with the original terms of the mortgage loan or to implement another loan workout.
- *Repayment plans*, which are contractual plans to make up past due amounts for a period generally

less than six months. These plans assist borrowers in returning to compliance with the original terms of their mortgage loan.

- *Loan modifications*, which may involve changing the terms of the mortgage loan, or capitalizing outstanding indebtedness, such as delinquent interest, to the unpaid principal balance of the mortgage loan, or a combination of both. We may grant partial principal forbearance in connection with loan modifications but do not utilize principal forgiveness. Principal forbearance is a change to a loan's terms to designate a portion of the principal as non-interest-bearing and non-amortizing. We have several loan modification programs. Servicers are provided direction on when and how to offer the various modification programs that are available based on the borrowers eligibility.
- *Short sales*, which involve allowing the borrower to sell the mortgaged property to an unrelated third party for an amount that is insufficient to pay off the mortgage loan in full. Under our standard short sale program, we have delegated to servicers the authority to approve short sales based on borrower eligibility and if the short sale generates certain minimum net proceeds and, under some circumstances, the borrower makes a cash or note contribution to reduce the losses on the mortgage loan. When an approved short sale is complete the mortgage note is cancelled, the lien of the mortgage is released and the borrower may be paid an amount to assist with relocation. In most cases, after completion of an approved short sale, the borrower has no further obligation to make payment under the mortgage note. Short sales may be approved from the time the borrower is current and found to be in imminent default to shortly before foreclosure sale.
- *Deeds in lieu of foreclosure* are processed similar to a short sale except that the mortgaged property is not sold to a third party but is conveyed directly to Fannie Mae.
- *Mortgage assumption* is where a new party assumes the obligations of the borrower under the mortgage note and may be performed in connection with a loan modification. The servicer evaluates the new party for his/her ability to pay the mortgage loan before allowing the assumption.

If a loan workout has not been reached by the 120th day of delinquency, we generally require the servicer to accelerate payment of principal from the borrower and initiate foreclosure proceedings with respect to a mortgage in accordance with the provisions of our Servicing Guide. However, we also require the servicer to continue to pursue loss mitigation alternatives to resolve the delinquency before the conclusion of the foreclosure proceedings, if such measures appear likely to mitigate potential losses. If, after demand for acceleration, a borrower pays all delinquent amounts, agrees with us to accept an arrangement for reinstatement of the mortgage or arranges for the sale or conveyance of the mortgaged property to a third party or us, the servicer may terminate the foreclosure proceedings. If the borrower again becomes delinquent, we generally will make a new demand for acceleration and the servicer will commence new foreclosure proceedings.

In recognition of the fact that mortgage loans that are delinquent are at higher risk for abandonment by the borrower, and may also face issues related to the maintenance of the mortgaged property, we have developed guidelines for servicers when inspecting properties for which a monthly payment is delinquent. Depending on various factors, such as the ability to contact the customer, the delinquency status of the mortgage loan, and the property occupancy status, a servicer may hire a vendor to inspect the related property to determine its condition. If the inspection indicates the property is vacant and abandoned and in need of property safeguarding measures, such as securing or winterizing, the servicer will ensure the appropriate safeguards are implemented in accordance with industry, legal and investor standards including our allowable expense limits.

Bankruptcy

When a borrower files for bankruptcy, the servicers options for recovery are more limited. The servicer monitors bankruptcy proceedings and develops appropriate responses based on a variety of factors, including: (i) the chapter of the United States Bankruptcy Code under which the borrower filed; (ii) federal, state and local regulations; (iii) determination-of-claim requirements; (iv) motion requirements; and (v) specific orders issued through the applicable court. In general, when a borrower who has filed for bankruptcy protection becomes

delinquent or defaults under the terms of the mortgage note, we instruct our servicers to engage counsel to file a motion for relief from stay that will allow the servicer to commence foreclosure proceedings. Servicers report information about borrowers and mortgages affected by a bankruptcy proceeding to us on a periodic basis. In certain circumstances, and with court approval, a bankrupt borrower can participate in a loan workout.

Foreclosure

The servicer is responsible for most aspects of foreclosure beginning with sending appropriate pre-foreclosure notices, referring the mortgage to foreclosure counsel, instructing and supervising foreclosure counsel during the foreclosure process and participating in the foreclosure sale. If a third party purchases the mortgaged property at the foreclosure sale, the servicer has the responsibility for remitting the foreclosure sale proceeds to us. If the servicer bids at the foreclosure sale in an amount as instructed by us and is the winning bidder, then the servicer is responsible for securing a deed providing clear title to the mortgaged property and presenting the property to us for intake into our REO inventory. Various federal and state laws recently have been enacted that add new requirements to the pre- foreclosure and foreclosure process which may make foreclosure more costly, lengthy and, in some cases, may render us unable to conduct a foreclosure altogether. These laws may negatively impact the Reference Obligations.

Delinquent Loan Statistics

The following table displays the delinquency status of loans in our single-family conventional guaranty book of business (based on number of loans) as of the dates indicated.

Delinquency Status of Single-Family Conventional Loans

	As of		
	September 30, 2013	December 31, 2012	September 30, 2012
Delinquency status:			
30 to 59 days delinquent	1.62%	1.96%	2.12%
60 to 89 days delinquent	0.49%	0.66%	0.68%
Seriously delinquent	2.55%	3.29%	3.41%
Percentage of seriously delinquent loans that have been delinquent for more than 180 days	74%	72%	73%

Our single-family serious delinquency rate has decreased each quarter since the first quarter of 2010. The decrease in our serious delinquency rate is primarily the result of home retention solutions, foreclosure alternatives and completed foreclosures, as well as our acquisition of loans with stronger credit profiles since the beginning of 2009. Our new single-family book of business represented 75% of our single-family guaranty book of business as of September 30, 2013.

We publish information in our quarterly credit supplements about the credit performance of the single-family mortgage loans that back our guaranteed mortgage-backed securities. Our most recent credit supplement can be accessed at http://www.fanniemae.com/resources/file/ir/pdf/quarterly-annual-results/2013/q22013_credit_summary.pdf.

Reference Pool Criteria and Process

The Notes will be linked to the performance of the loans in the Reference Pool. Loans included in the Reference Pool were chosen on a random basis from a specified calendar cohort of loans that met the Eligibility Criteria and certain other conditions as further described below under “-Reference Pool Formation.”.

Eligible Loans

The eligible loans will consist of all loans from the calendar cohort that we acquire that meet the Eligibility Criteria as described under "*Summary of Terms — The Reference Pool*" in this Prospectus.

Reference Pool Formation

We determined the composition of the Reference Pool utilizing a multi-step process. First, we divided all mortgage loans that we acquired between October 1, 2012 and December 31, 2012 (the "**Q4-2012 Acquisitions**") into two segments on a random basis. The first and second segments included loans representing approximately 75.2% and 24.8%, respectively, of the Q4-2012 Acquisitions (measured by unpaid principal balance at the time of acquisition). The loans included in the first segment (representing approximately 75.2% of the Q4-2012 Acquisitions) were made available for potential selection for the Reference Pool ("**Available Loans**"). We next applied the Eligibility Criteria to the Available Loans and selected, on a random basis, from those Available Loans that met the Eligibility Criteria for inclusion in the Reference Pool. The loans included in the second segment (representing approximately 24.8% of the Q4-2012 Acquisitions) were made available for potential selection for an unrelated Fannie Mae credit risk transaction and will not be included in the Reference Pool, with the exception of 217 of those mortgage loans that (i) were not selected for inclusion in the unrelated Fannie Mae credit risk transaction, (ii) met the Eligibility Criteria and (iii) were subject to a post-purchase Fannie Mae QC review. These 217 mortgage loans were also randomly selected for inclusion in the Reference Pool.

Prior to finalizing the Reference Pool, we engaged an independent third party to confirm that loans included in the Reference Pool were selected on a random basis and that:

- the percentage attributed to each characteristic listed in Appendix A with respect to the Reference Pool varies by no more than 0.50% relative to the percentage attributed to the corresponding characteristic with respect to the Available Loans meeting the Eligibility Criteria; and
- the percentage attributed to each such corresponding characteristic with respect to the Available Loans meeting the Eligibility Criteria varies by no more than 0.50% relative to the percentage attributed to such corresponding characteristic with respect to the loans included in the second segment described in the preceding paragraph meeting the Eligibility Criteria.

The Reference Obligations for the current transaction will not be included in the reference pool used in connection with any other credit risk transfer transaction.

Reference Pool Servicing and Risk Management

Our servicing guidelines, credit risk management and quality control procedures are the same for the Reference Pool loans as for all of the eligible loans. In other words, we apply our standard servicing, credit risk management and quality control procedures to all eligible loans, including all of the loans in the Reference Pool. Additionally, our servicers do not know which loans are included in the Reference Pool and, accordingly, they are expected to service all eligible loans, including those included in the Reference Pool, in the same manner.

THE REFERENCE OBLIGATIONS

Unless otherwise noted, the statistical information presented in this Prospectus concerning the Reference Pool is based on the characteristics of the Reference Obligations as of November 30, 2013. In addition, unless otherwise noted, references to a percentage of Reference Obligations refer to a percentage of Reference Obligations by principal balance as of November 30, 2013.

This section and Appendix A to this Prospectus generally describe some of the material characteristics of the Reference Pool. Certain loan-level information for each Reference Obligation may be accessed through our website at www.fanniemae.com.

The figures in this Prospectus may not correspond exactly to the related figures in Appendix A to this Prospectus due to rounding differences. Prior to the Closing Date, Reference Obligations will not be removed or substituted from the Reference Pool. We believe that the information set forth in this Prospectus and Appendix A to this Prospectus is representative of the characteristics of the Reference Pool as it will be constituted as of the Closing Date.

The table below summarizes the loan count, original unpaid principal balance and key attributes of the mortgage loans in the Initial Cohort Pool, loans excluded due to delinquencies, payoffs and quality control removals, and Reference Obligations in the Reference Pool. The “**Initial Cohort Pool**” represents all of the Available Loans that met the Eligibility Criteria at the time of their acquisition by us.

<u>Category</u>	<u>Loan Count</u>	<u>Aggregate Original Loan Balance (\$ millions)</u>	<u>Average Original Loan Balance (\$)</u>	<u>Weighted Average Credit Score</u>	<u>Weighted Average LTV Ratio (%)</u>	<u>Weighted Average DTI (%)</u>
Initial Cohort Pool	194,065	\$47,869	\$246,663	764	75%	32%
Less loans that were ever reported 30 days or more delinquent, less loans that paid in full, less quality control removals	11,596	\$2,982				
Eligible Loans	182,469	\$44,887	\$245,995	765	75%	32%
Reference Pool	122,291	\$30,061	\$245,811	765	75%	32%

Results of Fannie Mae Quality Control

Our loan level post-purchase QC reviews are designed to allow us to evaluate independently whether loans we have acquired meet our underwriting and eligibility requirements, based on our determinations regarding the borrowers' credit and income and the value of the properties collateralizing the loans. These reviews are based on a combination of the documents and information submitted to us by the loan sellers together with information regarding the borrowers and the properties that we develop ourselves. See "*Loan Acquisition Practices—Quality Control*".

The results of our loan level post-purchase quality control reviews of eligible loans we acquired in the fourth quarter of 2012 were as follows (as of November 30, 2013):

<u>All Eligible Loans Acquired in 4Q 2012⁽¹⁾</u>	<u>Number of Loans</u>	<u>% of Eligible Loans</u>
Total Loans	265,968	
Post Purchase Quality Control Review Selections	2,831	1.1%
<u>Post-Purchase Quality Control Review Selections</u>	<u>Number of Loans</u>	<u>% of Reviewed Loans</u>
Randomly Selected Loans	1,506	53%
<u>Discretionary Selected Loans⁽²⁾</u>	<u>1,325</u>	<u>47%</u>
Total Credit, Property and Limited Compliance Reviews	2,831	100%
<u>Loans Identified with Significant Findings</u>	<u>Number of Loans</u>	<u>% of Reviewed Loans</u>
Randomly Selected Loans	24	1.6%
<u>Discretionary Selected Loans</u>	<u>50</u>	<u>3.8%</u>
Total	74	2.6%

(1) All loans that met the Eligibility Criteria as of their acquisition date; not all of which are in the Initial Cohort Pool.

(2) The QC reviews of 54 of the discretionary selected loans were in progress and no determination had been made regarding these loans.

In our post-purchase QC reviews of mortgage loans acquired in the fourth quarter of 2012, we have selected 2,831 mortgage loans to be reviewed out of 265,968 that met the Eligibility Criteria at acquisition; these loans comprise approximately a 1.1% sample by loan count. Our post-purchase QC reviews were designed to evaluate the borrowers' credit, the property valuations and the eligibility of the loans we acquired, including whether the loans comply with laws and regulations that limit points and fees and that may result in assignee liability. Of the 2,831 loans we have selected to review, 1,506 were selected randomly and 1,325 were selected on a discretionary basis

according to various factors, including the loan sellers' status, the performance of the loans we have acquired from the loan sellers previously and the features of the loans. Of these 2,831 loans, 1,406 are included in the Reference Pool. Our post-purchase QC reviews are designed to validate that the loans we acquire meet our underwriting and eligibility guidelines. If we determine in our reviews that a loan has a Significant Finding, we require that the loan seller repurchase the loan from us. We provide a limited opportunity for loan sellers to deliver additional information or documents to us to rebut our repurchase request, and loan sellers frequently are able to provide sufficient additional information for us to determine that the loans do not have Significant Findings. As of November 30, 2013, 24 of the randomly selected loans (1.6% of the reviewed loans) and 50 of the loans selected on a discretionary basis (3.8% of the reviewed loans) were identified by us as having Significant Findings. Of the 2,831 loans we selected for review, 54 of the discretionary selected loans are still in the process of being reviewed and therefore no determination has been made as to any issues that may exist with respect to those loans, which may or may not result in additional Significant Findings. We may select additional loans for QC review in the future and may make additional repurchase requests or require other alternatives to repurchase in the future for any additional loans that we determine to have Significant Findings as a result of our QC reviews.

Investors should make their own determination about the appropriateness and suitability of, as well as the extent to which they should rely upon, the sampling methodology and review the results described above. See "*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Fannie Mae's Limited Review of a Sample of a Small Percentage of the Mortgage Loans in the Reference Pool May Not Reveal All Aspects That Could Lead to Credit Events*" for additional information regarding the limitations of our reviews

Borrower Credit and Property Valuation Findings

The following tables describe the 94 Significant Findings regarding credit, property valuations or eligibility for sale to us identified through our post purchase borrower credit and property valuation reviews relative to the 74 loans that we acquired in the fourth quarter of 2012 that met the Eligibility Criteria at acquisition and that were repurchased by the respective loan sellers, were subject to open repurchase requests as of November 30, 2013 or were repaid in full after our repurchase request was issued (none of which were included in the Reference Pool). The first table groups the findings by broad category of the nature of the Significant Findings, and the second table provides more detail regarding the specific reason for the Significant Findings:

Nature of Significant Finding	Number of Findings	Percentage of the Findings
Eligibility	33	35.1%
Income	19	20.2%
Misrepresentation	13	13.8%
Credit History	7	7.4%
Property Eligibility	6	6.4%
Property Value	6	6.4%
Assets	5	5.3%
Missing Documentation	4	4.3%
DU/AUS Data Integrity	<u>1</u>	<u>1.1%</u>
Total Findings	94	100.0%

Significant Finding Reason	Number of Findings	Percentage of the Findings
Loan does not meet delivery requirements	17	18.1%
Insufficient income	17	18.1%
Other eligibility	16	17.0%
Undisclosed liabilities	5	5.3%
Misrepresentation of occupancy	5	5.3%
Misrepresentation of credit	4	4.3%
Unsupported opinion of value	3	3.2%
Unsubstantiated source of funds	3	3.2%
Missing critical documentation	3	3.2%
Misrepresentation of income	3	3.2%
Ineligible condo project	3	3.2%
Improper selection of comparable sales	3	3.2%
Tax liens, bankruptcy, judgments outstanding	1	1.1%
Unverified assets	1	1.1%
Unacceptable source of funds	1	1.1%
No or insufficient mortgage insurance	1	1.1%
Mortgage history missing	1	1.1%
Misrepresentation of the characteristics of the subject/comps	1	1.1%
Insufficient reserves	1	1.1%
Ineligible Co-op	1	1.1%
Excessive seller contributions	1	1.1%
DU/AUS income data inaccurate	1	1.1%
DU/AUS income condition(s) not satisfied	1	1.1%
DU/AUS credit condition not satisfied	<u>1</u>	<u>1.1%</u>
Total Findings	94	100.0%

Limited Compliance Review Findings

We perform Limited Compliance Reviews in order to validate the eligibility of the loans to be acquired by us. However, these reviews do not include examination of all of the documents that would be required to be reviewed to ensure that the loans comply with all applicable federal, state and local laws and regulations. All of the 2,831 eligible loans acquired in the fourth quarter 2012 and selected for borrower credit and property valuation reviews were also subject to a Limited Compliance Review.

Our Selling Guide requires each loan seller to comply with all federal, state and local laws and regulations and to implement a QC program designed to validate that the loan seller's loans do comply with all applicable laws and regulations. We periodically evaluate the effectiveness of a loan seller's QC programs as more fully described under "*Loan Acquisition Practices — Quality Control — Loan Seller Quality Control Requirements*". Our Selling Guide also requires loan sellers to represent and warrant to us that loans we acquire were originated in compliance with all applicable laws and regulations.

None of the 2,831 mortgage loans subject to a Limited Compliance Review, which we conducted as part of our post-purchase QC reviews, was determined to be ineligible to be sold to us based solely on the results of such Limited Compliance Review.

Lead Dealer's Due Diligence Review

General

In connection with the issuance of the Notes, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**BofA Merrill Lynch**"), in its capacity as the lead dealer (the "**Lead Dealer**"), engaged Clayton Services LLC (the "**Diligence Provider**") to conduct a review of certain aspects of the mortgage loans in the Initial Cohort Pool. We paid the fees and expenses of the Diligence Provider and the scope and design of the review was determined by the Lead Dealer in consultation with the Diligence Provider and us.

The diligence sample selection population is limited to loans that previously were reviewed by us as part of our monthly post purchase QC review (the "**Fannie Mae QC Review**"), described above under "*— Results of Fannie Mae Quality Control*," in order for the Diligence Provider to have access to the set of credit, property and compliance data and documents that we review as part of the Fannie Mae QC Review. Out of the 2,831 loans acquired in the fourth quarter of 2012 that were subject to a Fannie Mae QC Review and met the Eligibility Criteria at acquisition, the Diligence Provider randomly selected a diligence sample from a subset of 1,477 loans (the "**Eligible Subset**") that were not included in a prior risk transfer transaction and for which the Fannie Mae QC Review included complete reviews of credit, property and compliance. The Eligible Subset included loans that met the Eligibility Criteria as of the loan acquisition date, but which subsequently had paid off, become delinquent or had become subject to a repurchase request, none of which have been included in the Reference Pool.

The Lead Dealer selected 608 mortgage loans from the Eligible Subset (the "**Diligence Sample**"), representing 41.2% by loan count of the Eligible Subset. Of the 608 loans in the Diligence Sample, 359 are in the Reference Pool. In forming the Diligence Sample, the Diligence Provider selected all mortgage loans at random.

Credit and Property Valuation Reviews

The Diligence Provider's standard credit and property reviews are designed to evaluate (i) whether the originator of a mortgage loan has fully documented the basis for determining that the loan met or exceeded the underwriting criteria under which the loan was originated and (ii) whether the originator's appraisal was effective to determine the value of the property collateralizing the loan. In this transaction, the Diligence Provider reviewed both the Review File provided by the originator as well as information that we independently ascertained about the loans that was not included in the Review Files to determine whether the loans met our underwriting and eligibility requirements. The Diligence Provider evaluated this information to determine whether the loans met the terms of our Selling Guide, any Permitted Variances and, for loans that were underwritten through DU, the DU recommendations and findings. As a result, the Diligence Provider may have relied upon the additional information provided by us that was not included in the Review Files to reach a determination that a loan met our underwriting and eligibility standards.

Credit, Document or Property Valuation Findings

The Diligence Provider identified seven aspects of six mortgage loans in the Diligence Sample that did not comply materially with the terms of our Selling Guide (each a "**Material Finding**") based on its review of the loans; we previously had identified three of these loans as having Significant Findings and these loans are not included in the Reference Pool; we believe that the other three loans met our eligibility and underwriting guidelines. In addition, the Diligence Provider identified one loan for which the available documentation did not allow it to determine the borrower's debt ratio. The following tables summarize the results of the Diligence Provider's credit and document reviews of the Diligence Sample, including the results of the Fannie Mae QC review for the seven loans described above:

	Number of <u>Loans</u>	Percentage of <u>Diligence Sample</u>
Total Diligence Sample	608	100.0%
Loans with Material Findings	6	1.0%
Loans with Missing Documentation	1	0.2%

Diligence Provider's Material Findings

<u>Finding Category</u>	<u>Finding Sub-Category</u>	<u>No. of Findings</u>	<u>Fannie Mae QC Review Results</u>	
			<u>Significant Finding</u>	<u>Not Significant Finding</u>
Credit Findings	DTI	3	2	1
	Income / Employment	2	1	1
	Terms / Guidelines	1	1	-
	Title	<u>1</u>	=	<u>1</u>
Total Credit Findings		7	4	3
Missing Documentation		<u>1</u>	=	<u>1</u>
Total Findings		8	4	4
Related No. of Loans		7	3	4
% Diligence Sample		1.2%	0.5%	0.7%

Our post-purchase QC review evaluates mortgage loans on a holistic basis to determine if the loans meet our underwriting and eligibility guidelines. With respect to three of the six mortgage loans containing seven Material Findings identified by the Diligence Provider, we determined in our post-purchase review that the loans did not have Significant Findings. For these three loans, we determined that the overall risk profiles of the loans met our underwriting and eligibility requirements, notwithstanding that some of the information regarding the loans did not meet the requirements of the transactions. For these three loans, the Material Findings found by the Diligence Provider were not findings that the related items of non-compliance, in light of the totality of the characteristics of these mortgage loans, would have resulted in our issuing repurchase requests to the related loan sellers. With respect to the one mortgage loan cited by the Diligence Provider as missing the documentation necessary for it to determine the borrower's debt ratio (documentation of the amount of the borrower's child support or alimony payments was not available), we determined in our post-purchase review that the information available to us regarding the borrower's income and debts, in light of the totality of the characteristics of this mortgage loan, was sufficient for us to determine that the loan met our underwriting and eligibility requirements. Accordingly, we do not intend to issue repurchase requests for these four loans as a result of the Diligence Provider's findings.

Compliance Reviews

The Diligence Provider reviewed all 608 loans in the Diligence Sample for compliance with those federal, state and local laws and regulations that we validate in our Limited Compliance Reviews. In contrast to its standard securitization compliance review, the Diligence Provider did not review compliance with the requirements of Truth-in-Lending/Regulation Z and the Real Estate Settlement Procedures Act. Within the scope of our Limited Compliance Reviews, the Diligence Provider did not uncover any violations of these laws and regulations for the 608 loans reviewed.

As noted above, the Limited Compliance Reviews that are part of our post-purchase QC reviews are designed to assess whether the mortgage loans comply with certain laws that may result in assignee liability and for compliance with laws restricting points and fees. Our Limited Compliance Reviews do not include examination of documents to ensure that a mortgage loan complies with all laws and regulations relating to the origination of the loan. Investors should note that the only potential Significant Findings uncovered during such review would relate to mortgage loans that we find to have violated laws that may result in assignee liability or that restrict points and fees.

We rely on representations and warranties from our loan sellers that all loans were originated in accordance with all applicable federal, state and local laws and regulations. If, at any point, we discover a breach of these representation and warranties, we have the right to require the loan seller to repurchase the loan. This includes, but is not limited to, circumstances where we are unable to foreclose or take title to a property due to failure of the originator to comply with applicable laws in the origination of the loan.

Appraisal Reviews

As part of its valuation of the Reference Pool, the Diligence Provider obtained desk review valuations of the properties collateralizing 568 of the mortgage loan in the Diligence Sample (representing approximately 93.4% of the Diligence Sample by loan count) (the "**Appraisal Sample**"). The loans included in the Appraisal Sample were all of the mortgage loans in the Diligence Sample that we acquired on the basis of a full appraisal or an external-only appraisal; we acquired the other 40 loans pursuant to DU approvals that allowed the loan seller to deliver loans with a DU Property Inspection Report (Form 2075) (see "*Credit Standards—Underwriting Process—Desktop Underwriter*"). The Diligence Provider contracted with a third party review firm to prepare desk review valuations for all of the Appraisal Sample loans. A desk review is a valuation analysis in which an appraiser makes a separate selection of comparable sales, which may or may not be the same as those used in the original appraisal and, using a rules-based valuation model, makes an independent determination as to whether the original appraised value is supported. Of the mortgage loans in the Appraisal Sample, thirteen loans, or 2.3% of the Appraisal Sample, had desk review valuations (determined "as of" the date of the appraisal) with a negative variance of more than 10% of the appraised values, and an additional four loans, or 0.7% of the Appraisal Sample, had inconclusive desk review valuations.

The Diligence Provider ordered field review valuations of the 17 properties that did not have desk review valuations that supported the original appraisals. A field review valuation estimate of the property includes a visual inspection of the exterior of the property and a review of sales and listings of properties that are proximate to the subject property and of comparable value, but does not include an inspection of the interior of the property. Of the field reviews that were ordered by the Diligence Provider, thirteen loans had valuation estimates that were at least 90% of the appraised values and four loans, or 0.7% of the Appraisal Sample, had valuation estimates that were less than 90% of the appraised values. The Diligence Provider cleared its property value finding for one of these four loans because it determined that the field review we had obtained as part of the Fannie Mae QC Reviews was a better indication of the value of the property than the field review it received, and our field review did support the value estimate of the origination appraisal.

The Diligence Provider determined that none of the remaining three loans where the field review ordered by the Diligence Provider failed to support the origination appraisal value estimate had a Material Finding. For these three loans, the Diligence Provider determined that:

- one of the loans met our credit underwriting guidelines even with the lower value indicated by its field review, and
- two of the loans had compensating factors that allowed the loans to meet our underwriting and eligibility guidelines even with the lower values indicated by their field reviews.

Of the 17 loans where the Diligence Provider obtained a field review due to the valuation generated by the initial desk review, the Diligence Provider ultimately determined the exceptions to be satisfied for 15 of the loans and to be non-material for 2 of the loans.

Data Integrity Review

The Diligence Provider compared 19 fields on a data file we prepared that included certain characteristics of the mortgage loans that we have used to generate the statistical information regarding the mortgage loans in the Reference Pool described in this Prospectus. These fields were: original DTI, original LTV, original combined LTV, credit score, loan purpose, first time homebuyer status, property type, number of units, occupancy status, property state, five digit zip code, original principal balance, original interest rate, amortization type, interest only feature, first payment date, maturity date, modification status and origination channel.

With respect to 57 loans, representing 9.4% of the Diligence Sample by loan count, 63 discrepancies (approximately 0.5% of the total fields reviewed) with respect to the reviewed characteristics were identified by the Diligence Provider, exclusive of debt-to-income ratio calculations that were within 5%, either way, of the value calculated by the loan seller; an additional 21 loans had DTI calculation differences that were greater than 2% and less than or equal to 5%, and an additional 123 loans had DTI calculation differences that were less than or equal to 2%. A full list of the 63 discrepancies is set forth in [Appendix B](#) to this Prospectus.

Our loan level post-purchase QC reviews are designed to allow us to evaluate independently whether loans we have acquired meet our underwriting and eligibility requirements based on our determinations regarding the borrowers' credit and income and the value of the properties collateralizing the loans. These reviews are not designed to validate the data about the loans that the loan sellers provide to us. We have determined that none of the data discrepancies identified by the Diligence Provider result in Significant Findings or a violation of the Eligibility Criteria. Further, investors should note that we did not update the mortgage loan data file to reflect these discrepancies. As a result, the numerical disclosures in this Prospectus do not reflect any of these data discrepancies with respect to the related mortgage loans included in the Reference Pool. In our sole discretion, after the Closing Date, we may determine to reconcile certain of the data discrepancies identified by the Diligence Provider with the respective loan sellers. To the extent we verify any of these data discrepancies, we expect to update the monthly loan-level information with respect to the Reference Pool that is made available to Noteholders.

The following table summarizes the most common data discrepancies identified by the Diligence Provider relative to our data file, exclusive of differences in DTI ratio calculations that were within +/- 5.0% and LTV or CLTV differences within +/- 1%.

	Number of Loans with Discrepancies	Percentage of Diligence Sample	Average of Fannie Mae Data	Average of Diligence Provider Data
DTI (Back) +/- >5%	27	4.44%	29.79%	35.86%
DTI (Back) Other	1	0.16%	18.85%	703.09%
First Time Home Buyer	6	0.99%	No	Yes
First Time Home Buyer	3	0.49%	Yes	No
Representative Credit Score	9	1.48%	751	745
Combined Loan to Value	4	0.66%	77.25%	81.89%
Property Type	1	0.16%	Single Family	Detached PUD
Property Type	1	0.16%	Detached PUD	Site Condo
First Payment Date	1	0.16%	12/1/2012	11/1/2012
Loan Purpose	1	0.16%	Cashout Refi	Rate and Term Refi
Loan to Value	1	0.16%	65.00%	75.56%
Maturity Date	1	0.16%	11/1/2042	10/1/2042
Origination Channel	3	0.49%	Broker	Correspondent
Origination Channel	1	0.16%	Broker	Retail
Origination Channel	2	0.33%	Correspondent	Retail
Origination Channel	1	0.16%	Retail	Correspondent
Total	63			

(1) Diligence Provider data for DTI (Back) includes a loan with a 703% debt ratio, based on undisclosed debts; we previously had determined the loan had a Significant Finding and is subject to repurchase, and the Diligence Provider determined it had a Material Finding.

Limitations of the Diligence Provider's Review Process

As noted above under "*Risks Relating to the Notes Being Linked to the Reference Pool — Limited Scope and Size of Lead Dealer's Review of the Mortgage Loans in the Reference Pool May Not Reveal Aspects of the Mortgage Loans That Could Lead to Credit Events*," there can be no assurance that the review conducted by the Diligence Provider uncovered all relevant factors relating to the origination of the mortgage loans included in the

Reference Pool, their compliance with applicable laws and regulation or uncovered all relevant factors that could affect the future performance of the mortgage loans included in the Reference Pool. The review was performed on a small sample that did not include all of the mortgage loans included in the Reference Pool and the mortgage loans that were included in the review may have characteristics that were not discovered, noted or analyzed as part of the Diligence Provider's limited review that could, nonetheless, result in those mortgage loans experiencing Credit Events in the future.

Investors are advised that the aforementioned review procedures carried out by the Diligence Provider were performed for the benefit of the Dealers but was of limited scope as described above. The Diligence Provider makes no representation and provides no advice to any investor or future investor concerning the suitability of any transaction or investment strategy, the Diligence Provider performed only the review procedures described herein and the Diligence Provider is not responsible for any decision to include any mortgage loan in the Reference Pool.

Investors are encouraged to make their own determination as the extent to which they place reliance on the limited loan review procedures carried out as part of the Diligence Provider's reviews.

HISTORICAL INFORMATION

Loan-level credit performance data on a portion of Fannie Mae's 30-year, fully amortizing, full documentation, single-family, conventional fixed-rate mortgage loans purchased or acquired by Fannie Mae between January 1, 2000 and December 31, 2012 is available online at <http://www.fanniemae.com/portal/funding-the-market/data/loan-performance-data.html> (the "**Single Family Loan-Level Dataset**"). Access to this web address is unrestricted and free of charge. The various loans for which performance information is shown at the above internet address had initial characteristics that differed, and may have differed in ways that were material to the performance of those mortgage loans. These differing characteristics include, among others, product type, credit quality, geographic concentration, average principal balance, weighted average interest rate, weighted average loan-to-value ratio and weighted average term to maturity. Neither we nor the Global Agent make any representation, and you should not assume, that the performance information shown at the above internet address is in any way indicative of the performance of the Reference Obligations.

The Single Family Loan-Level Dataset available on our website relating to any of our mortgage loans is not deemed to be part of this Prospectus. Various factors may affect the prepayment, delinquency and loss performance of the mortgage loans over time.

The Reference Obligations may not perform in the same manner as the mortgage loans in the Single Family Loan-Level Dataset as a result of the various credit and servicing standards we have implemented over time. Due to adverse market and economic conditions, and based in part on our reviews of the underwriting quality for loans originated in 2005 through 2008, we implemented several credit changes since 2008. These credit changes are defined by specified criteria such as LTV ratios, Credit Score and DTI. We cannot predict how these credit changes will affect the performance of the Reference Obligations compared to the performance of prior vintages of mortgage loans. See also "*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Certain Loan Sellers May Originate Loans Under Variances to Our Selling Guide*" and "*— Servicers May Not Follow the Requirements of Our Servicing Guide and Servicing Standards May Change Periodically*".

PREPAYMENT AND YIELD CONSIDERATIONS

Credit Events

The amount and timing of Credit Events on the Reference Obligations will affect the yield on the Notes. To the extent that Credit Events result in the allocation of Calculated Tranche Write-down Amounts to a Class of Notes, the Class Principal Balance of such Class of Notes will be reduced, without any corresponding payment of principal, by the amount of such Calculated Tranche Write-down Amounts. As described under "*Summary of Terms — Reductions in Class Principal Balances of the Notes Due to Allocation of Calculated Tranche Write-down Amounts*," Calculated Tranche Write-down Amounts will be allocated (after allocation of the Senior Reduction Amount and Subordinate Reduction Amount) to reduce the Class Notional Amounts of the Reference Tranches in the following order of priority, *first*, to the Class B-H Reference Tranche, *second*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts, *third*, to the Class M-1 and Class M-1H

Reference Tranches, *pro rata*, based on their Class Notional Amounts, and, *fourth*, to the Class A-H Reference Tranche. Any Calculated Tranche Write-down Amount allocated to the Class M-1 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-1 Notes and any Calculated Tranche Write-down Amount allocated to the Class M-2 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-2 Notes. As such, because the Class M-2 Reference Tranche is subordinate to the Class M-1 Reference Tranche, the Class M-2 Notes will be more sensitive than the Class M-1 Notes to Calculated Tranche Write-down Amounts after the Class Notional Amount of the Class B-H Reference Tranche is reduced to zero.

Credit Events can be caused by, but not limited to, borrower mismanagement of credit and unforeseen events. The rate of delinquencies on refinance mortgage loans may be higher than for other types of mortgage loans. Furthermore, the rate and timing of Credit Events on the Reference Obligations will be affected by the general economic condition of the region of the country in which the related mortgaged properties are located. The risk of Credit Events is greater and prepayments are less likely in regions where a weak or deteriorating economy exists, as may be evidenced by, among other factors, increasing unemployment or falling property values. The yield on any Class of Notes and the rate and timing of Credit Events on the Reference Obligations may also be affected by servicing decisions by the applicable servicer.

Prepayment Considerations and Risks

The rate of principal payments on the Notes and the yield to maturity (or to early redemption) of Notes purchased at a price other than par are directly related to the rate and timing of payments of principal on the Reference Obligations. The principal payments on the Reference Obligations may be in the form of Scheduled Principal or Unscheduled Principal. Any Unscheduled Principal may result in payments to an investor of amounts that would otherwise be distributed over the remaining term of the Reference Obligations.

The rate at which mortgage loans in general prepay may be influenced by a number of factors, including general economic conditions, mortgage market interest rates, availability of mortgage funds, the value of the mortgaged property, solicitations, servicer decisions and homeowner mobility.

- In general, if prevailing mortgage interest rates fall significantly below the mortgage rates on the Reference Obligations, the Reference Obligations are likely to prepay at higher rates than if prevailing mortgage interest rates remain at or above the mortgage rates on the Reference Obligations.
- Conversely, if prevailing mortgage interest rates rise above the mortgage rates on the Reference Obligations, the rate of prepayment would be expected to decrease.

The timing of changes in the rate of prepayments may significantly affect an investor's actual yield to maturity, even if the average rate of principal prepayments is consistent with an investor's expectations. In general, the earlier the payment of principal of the Reference Obligations the greater the effect on an investor's yield to maturity. As a result, the effect on investors' yield due to principal prepayments occurring at a rate higher (or lower) than the rate investors anticipate during the period immediately following the issuance of the Notes may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. Prospective investors should also consider the risk, in the case of a Note purchased at a discount that a slower than anticipated rate of payments in respect of principal (including prepayments) on the Reference Obligations will have a negative effect on the yield to maturity of such Note. Prospective investors should also consider the risk, in the case of a Note purchased at a premium, that a faster than anticipated rate of payments in respect of principal (including prepayments) on the Reference Obligations will have a negative effect on the yield to maturity of such Note. Prospective investors must make decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase Notes.

A borrower may make a full or partial prepayment on a mortgage loan at any time without paying a penalty. A borrower may fully prepay a mortgage loan for several reasons, including an early payoff, a sale of the related mortgaged property or a refinancing of the mortgage loan. A borrower who makes a partial prepayment of principal may request that the monthly principal and interest installments be recalculated, provided that the monthly payments are current. Any recalculation of payments must be documented by a modification agreement. The recalculated payments cannot result in an extended maturity date or a change in the interest rate. The rate of payment of principal may also be affected by any removal from the Reference Pool of some or all of the Reference Obligations

as required by the Debt Agreement. See "*Summary of Terms — The Reference Pool*" in this Prospectus. We may also remove Reference Obligations from the Reference Pool because they do not satisfy the Eligibility Criteria. Any removals will shorten the weighted average lives of the Notes.

The Reference Obligations will typically include "due-on-sale" clauses which allow the holder of such Reference Obligation to demand payment in full of the remaining principal balance upon sale or certain transfers of the property securing such Reference Obligation.

Prospective investors should understand that the timing of changes in One-Month LIBOR may affect the actual yields on the Notes even if the average rate of One-Month LIBOR is consistent with such prospective investors' expectations. Each prospective investor must make an independent decision as to the appropriate One-Month LIBOR assumptions to be used in deciding whether to purchase a Note.

Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables

The tables on the following pages have been prepared on the basis of the following assumptions (the "**Modeling Assumptions**"):

(a) The Reference Obligations consist of the assumed mortgage loans having the characteristics shown on Appendix C;

(b) the initial Class Principal Balances for the Notes are as set forth or described on the cover page hereof and the Class Coupons are assumed to be One-Month LIBOR plus []% for the Class M-1 Notes and One-Month LIBOR plus []% for the Class M-2 Notes;

(c) the scheduled monthly payment for each Reference Obligation is based on its outstanding principal balance, current mortgage rate and remaining amortization term so that it will fully amortize in amounts sufficient for the repayment thereof over its remaining amortization term;

(d) the Reference Obligations experience Credit Events at the indicated CDR percentages and there is no lag between the related Credit Event Amounts and the application of any related Calculated Recovery Principal;

(e) scheduled payments of principal and interest with respect to the Reference Obligations are received on the applicable due date beginning on the first day of the calendar month immediately preceding the month in which the first Payment Date occurs;

(f) principal prepayments in full on the Reference Obligations are received on the last day of each month beginning in the calendar month prior to the month in which the first Payment Date occurs;

(g) there are no partial principal prepayments on the Reference Obligations;

(h) the Reference Obligations prepay at the indicated CPR percentages;

(i) no Reference Obligations are purchased or removed from the Reference Pool and no mortgage loans are substituted for the Reference Obligations included in the Reference Pool on the Closing Date;

(j) there are no loan modifications or data corrections in connection with the Reference Obligations;

(k) there is no early redemption (except in the case of Weighted Average Life in Years (to early redemption));

(l) there are no Reversed Credit Event Reference Obligations or Originator Rep and Warranty Settlements;

(m) the Notes are issued on January 27, 2014;

(n) cash payments on the Notes are received on the twenty-fifth (25th) day of each month beginning in February 2014 as described under "*Description of The Notes*" in this Prospectus;

(o) One-Month LIBOR is assumed to remain constant at [_____] % per annum; and

(p) except as specified in the tables, there are no defaults or delinquencies on the Reference Obligations.

Although the characteristics of the Reference Obligations for the Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables have been prepared on the basis of the weighted average characteristics of the mortgage loans which are expected to be in the Reference Pool, there is no assurance that the Modeling Assumptions will reflect the actual characteristics or performance of the Reference Obligations or that the performance of the Notes will conform to the results set forth in the tables.

Weighted Average Lives of the Notes

Weighted average life of a Class of Notes refers to the average amount of time that will elapse from the date of issuance of such Class of Notes until each dollar in reduction of its balance is distributed to investors. The weighted average lives of the Notes will be influenced by, among other things, the rate at which principal of the Reference Obligations is actually paid by the related borrower, which may be in the form of Scheduled Principal or Unscheduled Principal, the timing of changes in such rate of principal payments and the timing and rate of allocation of Calculated Tranche Write-down Amounts and Calculated Tranche Write-up Amounts to the Notes. The interaction of the foregoing factors may have different effects on each Class of Notes and the effects on any such Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the weighted average life of any Class of Notes. For an example of how the weighted average lives of the Notes are affected by the foregoing factors at various rates of prepayment, see the Weighted Average Life Tables and Declining Balances Tables set forth below.

Prepayments on mortgage loans are commonly measured relative to a constant prepayment standard or model. The model used in this Prospectus for the Reference Obligations is a Constant Prepayment Rate (or "CPR"). CPR assumes that the outstanding principal balance of a pool of mortgage loans prepays at a specified constant annual rate. In projecting monthly cashflows, this rate is converted to an equivalent monthly rate.

CPR does not purport to be either a historical description of the prepayment experience of mortgage loans or a prediction of the anticipated rate of prepayment of any mortgage loans, including the Reference Obligations. The percentages of CPR in the tables below do not purport to be historical correlations of relative prepayment experience of the Reference Obligations or predictions of the anticipated relative rate of prepayment of the Reference Obligations. Variations in the prepayment experience and the principal balance of the Reference Obligations that prepay may increase or decrease the percentages of initial Class Principal Balances (and weighted average lives) shown in the Declining Balances Tables below and may affect the weighted average lives shown in the Weighted Average Life Tables below. Such variations may occur even if the average prepayment experience of all such Reference Obligations equals any of the specified percentages of CPR.

It is highly unlikely that the Reference Obligations will have the precise characteristics referred to in this Prospectus or that they will prepay or experience Credit Events at any of the rates specified or times assumed or that Credit Events will be incurred according to one particular pattern. The Weighted Average Life Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables below assume a constant rate of Reference Obligations becoming Credit Event Reference Obligations each month relative to the then outstanding aggregate principal balance of the Reference Obligations. This constant default rate ("CDR") does not purport to be either a historical description of the default experience of the Reference Obligations or a prediction of the anticipated rate of defaults on the Reference Obligations. The rate and extent of actual defaults experienced on the Reference Obligations are likely to differ from those assumed and may differ significantly. A rate of 1.0% CDR assumes Reference Obligations become Credit Event Reference Obligations at an annual rate of 1.0% which remains in effect through the remaining lives of such Reference Obligations. Further, it is unlikely the Reference Obligations will become Credit Event Reference Obligations at any specified percentage of CDR.

The Weighted Average Life Tables and the Declining Balances Tables have been prepared on the basis of the Modeling Assumptions described above under "*Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables*". There will likely be discrepancies between the characteristics of the actual mortgage loans included in

Reference Pool and the characteristics of the hypothetical mortgage loans assumed in preparing the Weighted Average Life Tables and the Declining Balances Tables. Any such discrepancy may have an effect upon the percentages of initial Class Principal Balances outstanding set forth in the Declining Balances Tables (and the weighted average lives of the Notes set forth in the Weighted Average Life Tables and the Declining Balances Tables). In addition, to the extent that the mortgage loans that actually are included in the Reference Pool have characteristics that differ from those assumed in preparing the following Declining Balances Tables, the Class Principal Balance of a Class of Notes could be reduced to zero earlier or later than indicated by the applicable Declining Balances Table.

Furthermore, the information contained in the Weighted Average Life Tables and the Declining Balances Tables with respect to the weighted average life of any Note is not necessarily indicative of the weighted average life of that Class of Notes that might be calculated or projected under different or varying prepayment assumptions.

It is not likely that all of the Reference Obligations will have the interest rates or remaining terms to maturity assumed or that the Reference Obligations will prepay at the indicated CPR percentages or experience Credit Events at the indicated CDR percentages. In addition, the diverse remaining terms to maturity of the Reference Obligations could produce slower or faster reductions of the Class Principal Balances than indicated in the Declining Balances Tables at the various CPR percentages specified.

Weighted Average Life Tables

Based upon the Modeling Assumptions, the following Weighted Average Life Tables indicate the projected weighted average lives in years of each Class of Notes shown at various CPR percentages and CDR percentages.

Class M-1 Weighted Average Life to Maturity (years)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....	7.59	3.85	2.25	1.58	1.22	0.99	0.83	0.71
0.20%.....	7.63	4.04	2.31	1.60	1.22	0.99	0.83	0.71
0.30%.....	7.68	4.42	2.37	1.62	1.23	0.99	0.83	0.71
0.40%.....	7.75	5.09	2.47	1.65	1.24	0.99	0.83	0.71
0.50%.....	7.83	5.77	2.63	1.69	1.26	1.00	0.83	0.71
0.75%.....	7.76	6.98	4.22	1.88	1.32	1.02	0.84	0.72
1.00%.....	6.45	7.04	5.75	2.86	1.44	1.07	0.86	0.72

Class M-2 Weighted Average Life to Maturity (years)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....	9.99	9.86	8.34	6.62	5.16	4.10	3.37	2.84
0.20%.....	9.99	9.95	8.49	6.78	5.30	4.18	3.42	2.87
0.30%.....	9.74	9.99	8.78	7.00	5.47	4.28	3.48	2.90
0.40%.....	8.95	9.55	9.03	7.32	5.73	4.44	3.55	2.95
0.50%.....	7.93	8.79	9.05	7.58	6.03	4.70	3.67	3.00
0.75%.....	5.35	6.43	7.56	7.61	6.39	5.27	4.22	3.29
1.00%.....	3.95	4.48	5.38	6.65	6.34	5.35	4.48	3.74

Declining Balances Tables

Based upon the Modeling Assumptions, the following Declining Balances Tables indicate the projected weighted average lives of each Class of Notes and sets forth the percentages of the initial Class Principal Balance of each Class that would be outstanding after each of the dates shown at various CPR percentages.

Percentages of Original Class Principal Balances Outstanding and Weighted Average Lives

Date	Class M-1							
	CPR Prepayment Assumption							
	0%	5%	10%	15%	20%	25%	30%	35%
Closing Date	100	100	100	100	100	100	100	100
January 25, 2014.....	96	85	74	63	52	41	30	19
January 25, 2015.....	91	70	51	32	14	0	0	0
January 25, 2016.....	86	57	30	6	0	0	0	0
January 25, 2017.....	81	44	11	0	0	0	0	0
January 25, 2018.....	76	31	0	0	0	0	0	0
January 25, 2019.....	71	20	0	0	0	0	0	0
January 25, 2020.....	65	9	0	0	0	0	0	0
January 25, 2021.....	60	0	0	0	0	0	0	0
January 25, 2022.....	54	0	0	0	0	0	0	0
January 25, 2023.....	0	0	0	0	0	0	0	0
WAL (years) to Maturity	7.56	3.68	2.16	1.51	1.14	0.91	0.75	0.63
WAL (years) to Early Redemption Date ..	7.56	3.68	2.16	1.51	1.14	0.91	0.75	0.63

Date	Class M-2							
	CPR Prepayment Assumption							
	0%	5%	10%	15%	20%	25%	30%	35%
Closing Date	100	100	100	100	100	100	100	100
January 25, 2014.....	100	100	100	100	100	100	100	100
January 25, 2015.....	100	100	100	100	100	98	82	68
January 25, 2016.....	100	100	100	100	85	66	49	35
January 25, 2017.....	100	100	100	84	61	42	27	14
January 25, 2018.....	100	100	95	66	43	25	11	1
January 25, 2019.....	100	100	80	51	28	12	1	0
January 25, 2020.....	100	100	68	38	17	3	0	0
January 25, 2021.....	100	99	56	27	8	0	0	0
January 25, 2022.....	100	89	46	19	1	0	0	0
January 25, 2023.....	0	0	0	0	0	0	0	0
WAL (years) to Maturity	9.99	9.78	8.17	6.44	4.99	3.97	3.26	2.73
WAL (years) to Early Redemption Date ..	9.99	9.78	8.17	6.44	4.99	3.97	3.26	2.73

Yield Considerations with Respect to the Notes

The weighted average life of, and the yield to maturity on, the Notes will be sensitive to the rate and timing of Credit Events on the Reference Obligations. If the actual rate of Credit Events on the Reference Obligations is higher than those prospective investors assumed, the actual yield to maturity of a Note may be lower than the expected yield. The timing of Credit Events on Reference Obligations will also affect prospective investors' actual yield to maturity, even if the rate of Credit Events is consistent with prospective investors' expectations.

The discount margin of each Note was calculated by determining the spread to One-Month LIBOR. The sum of the discount margin for each Note and One-Month LIBOR forms the monthly discount rate which, when applied using market conventions to the assumed streams of cash flows to be paid on that Note, would cause the discounted present value of those assumed streams of cash flows to equal the aggregate assumed purchase price of that Note set forth below. These spreads to One-Month LIBOR or discount margins are shown in the Modeling Assumptions. Implicit in the use of any discounted present value or internal rate of return calculations such as these is the

assumption that intermediate cash flows are reinvested at the discount rates at which investors may be able to reinvest funds received by them as payments on the Notes. Consequently, these discount margins do not purport to reflect the total return on any investment in the Notes when reinvestment rates are considered.

Credit Event Sensitivity Table

Based upon the Modeling Assumptions, the following Cumulative Credit Events Table indicates the projected Cumulative Net Credit Event Percentages shown at various CPR percentages and CDR percentages.

Cumulative Credit Events (as % of Reference Pool Cut-Off Date Balance)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....	0.89%	0.70%	0.56%	0.46%	0.37%	0.31%	0.26%	0.22%
0.20%.....	1.77%	1.40%	1.12%	0.91%	0.75%	0.62%	0.52%	0.44%
0.30%.....	2.64%	2.09%	1.68%	1.36%	1.12%	0.93%	0.78%	0.66%
0.40%.....	3.50%	2.78%	2.23%	1.81%	1.49%	1.24%	1.04%	0.88%
0.50%.....	4.36%	3.46%	2.78%	2.26%	1.85%	1.54%	1.30%	1.10%
0.75%.....	6.47%	5.14%	4.13%	3.36%	2.76%	2.30%	1.94%	1.65%
1.00%.....	8.53%	6.79%	5.46%	4.44%	3.66%	3.05%	2.57%	2.19%

Cumulative Note Write-down Amount Tables

Based upon the Modeling Assumptions, the following Cumulative Note Write-down Amount Tables indicate the projected cumulative write-down of the Class Principal Balance of a Note due to allocation of Calculated Tranche Write-down Amounts as a percentage of the Note's original Class Principal Balance shown at various CPR percentages and CDR percentages.

Class M-1 Cumulative Write-down Amount (as % of the Class M-1 Original Class Principal Balance)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.20%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.30%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.40%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.50%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.75%.....	32.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.00%.....	75.04%	42.01%	2.60%	0.00%	0.00%	0.00%	0.00%	0.00%

Class M-2 Cumulative Write-down Amount (as % of the Class M-2 Original Class Principal Balance)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.20%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.30%.....	18.90%	2.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.40%.....	44.51%	23.13%	6.83%	0.00%	0.00%	0.00%	0.00%	0.00%
0.50%.....	69.90%	43.33%	23.07%	7.58%	0.00%	0.00%	0.00%	0.00%
0.75%.....	100.00%	93.15%	63.18%	40.23%	22.57%	8.86%	0.00%	0.00%
1.00%.....	100.00%	100.00%	100.00%	72.40%	49.13%	31.06%	16.88%	5.63%

Yield Tables

Based upon the Modeling Assumptions and the assumed prices in the table captions, the following tables show pre-tax yields to maturity (corporate bond equivalent) of the Notes at various CPR percentages and CDR Percentages.

Class M-1 Pre-Tax Yield to Maturity (Assumed Price = []%)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....								
0.20%.....								
0.30%.....								
0.40%.....								
0.50%.....								
0.75%.....								
1.00%.....								

Class M-2 Pre-Tax Yield to Maturity (Assumed Price = []%)

CDR	0% CPR	5% CPR	10% CPR	15% CPR	20% CPR	25% CPR	30% CPR	35% CPR
0.10%.....								
0.20%.....								
0.30%.....								
0.40%.....								
0.50%.....								
0.75%.....								
1.00%.....								

Prospective investors should make investment decisions based on determinations of anticipated rates of prepayments and Credit Events under a variety of scenarios. Prospective investors should fully consider the risk that the occurrence of Credit Events on the Reference Obligations could result in the failure to fully recover investments.

USE OF PROCEEDS

We will use the net proceeds from sales of Notes for general corporate purposes, including, but not limited to, the purchase and financing of mortgages and mortgage-related securities and the repayment of indebtedness.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES

The Notes and payments thereon generally are subject to taxation. Therefore, you should consider the tax consequences of owning a Note before acquiring one.

The tax discussions contained in this Prospectus or any other document referenced herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal tax penalties. These discussions were written to support the promotion or marketing of the transactions or matters addressed in this Prospectus. You should seek advice based on your particular circumstances from an independent tax advisor.

The following discussion is general and may not apply to your particular circumstances for any of the following (or other) reasons:

- This summary is based on federal tax laws in effect as of the date of this Prospectus. Changes to any of these laws after this date may affect the tax consequences described below and may apply, retroactively, as of a date preceding the date of this Prospectus.
- This summary discusses only Notes acquired by beneficial owners and held as capital assets (within the meaning of federal tax law). It does not discuss all of the tax consequences that may be relevant to beneficial owners subject to special rules, such as banks, thrift institutions, partnerships, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, brokers and dealers in securities or currencies, certain securities traders and certain other financial institutions. This discussion also does not discuss tax consequences that may be relevant to a beneficial owner in light of the beneficial owner's particular circumstances, such as a beneficial owner holding a Note as a position in a straddle, hedging, conversion or other integrated investment, a beneficial owner whose functional currency is not the U.S. dollar, or a beneficial owner who is a recalcitrant account holder (within the meaning of Section 1471 of the Internal Revenue Code of 1986, as amended (the "Code")).
- The Notes also are subject to taxes imposed by states and possessions of the United States and by local taxing authorities. If you reside in a state of the United States that imposes intangible property or income taxes, you should consult your own tax advisors as to the consequences of such laws.

Because the following discussion may not apply to you, we advise you to consult your own tax advisors regarding the tax consequences of purchasing, owning and disposing of Notes, including the advisability of making any of the elections described below.

U.S. Persons

If you are a U.S. Person and own a Note, income from the Note is subject to U.S. federal income taxation. If you own the Note when you die, the Note will be included in your estate and will be subject to any applicable U.S. federal estate tax.

For purposes of the foregoing and the discussion that follows, a "U.S. Person" means:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in its gross income for U.S. federal income tax purposes without regard to its source;
- a trust if a court within the United States is able to exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust; or

- certain trusts in existence on August 20, 1996, and treated as United States persons (within the meaning of Section 7701(a)(30) of the Code) prior to such date, that elect to continue to be treated as United States persons, as provided in Treasury Regulations.

If a partnership holds the Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor regarding the U.S. federal income tax treatment of the partnership's investment in the Notes.

The first part of the following discussion is addressed to beneficial owners who are U.S. Persons, the second part is addressed to beneficial owners who are individuals, corporations, estates or trusts who are not U.S. Persons ("**non-U.S. Persons**"), and the last part addresses rules concerning information reporting to the IRS and backup withholding.

For purposes of the discussion under "*Certain United States Federal Tax Consequences*" herein, a Holder refers to the beneficial owner of a Note. The beneficial owner is the party that beneficially owns a Note.

Treatment of the Notes

There is no authority that directly addresses the proper treatment of instruments such as the Notes for U.S. federal income tax purposes. On the Closing Date, Fannie Mae will receive an opinion from Hunton & Williams LLP, special U.S. federal tax counsel to Fannie Mae, to the effect that, although the matter is not free from doubt, the Notes will be treated as indebtedness for U.S. federal income tax purposes. Opinions of counsel are not a guarantee of any particular U.S. federal income tax result and are not binding on the IRS, the courts or any other third party. As discussed below, the IRS could take a contrary position with respect to the proper treatment of the Notes.

If the IRS were to successfully contend that any class of Notes were not debt instruments for U.S. federal income tax purposes, but instead were properly characterized as an equity security, a derivative or some other form of financial instrument issued by Fannie Mae for U.S. federal income tax purposes, the U.S. federal income tax consequences to Holders may differ materially from the consequences discussed below and non-U.S. Persons potentially could be subject to significant adverse tax consequences. See "*Treatment if the Notes Are Not Respected as Indebtedness*" and "*Non-U.S. Persons—Treatment if the Notes Are Not Respected as Indebtedness*." Fannie Mae and each Holder of a Note, by acceptance of a Note, will agree to treat such Notes as indebtedness of Fannie Mae for all U.S. federal income tax purposes unless otherwise required by applicable law. The remainder of this discussion, other than the sections entitled "*Treatment if the Notes Are Not Respected as Indebtedness*" and "*Non-U.S. Persons—Treatment if the Notes Are Not Respected as Indebtedness*," is based on the characterization of the Notes as debt obligations of Fannie Mae for U.S. federal income tax purposes.

Tax Status of Notes for Building and Loans, Savings Banks, REITs and REMICs

Although principal on the Notes is payable generally in relation to principal payments made with respect to the Reference Pool, the Notes represent unsecured general obligations of Fannie Mae and are not ownership interests in the Reference Pool. Consequently, (i) Notes held by a domestic building and loan association or savings bank will not be "qualifying real property loans" under Section 593(d) of the Code; (ii) Notes held by a real estate investment trust ("**REIT**") will not be "real estate assets" under Section 856(c)(5)(B) of the Code, nor will interest payments on the Notes be "interest on obligations secured by mortgages on real property or on interests in real property" under Section 856(c)(3)(B) of the Code; and (iii) Notes held by a real estate mortgage investment conduit ("**REMIC**") will not be "qualified mortgages" within the meaning of Section 860G(a)(3) of the Code. However, the IRS has publicly ruled that Fannie Mae is an instrumentality of the United States for purposes of Section 7701(a)(19) of the Code. Therefore, domestic building and loan associations and savings banks are permitted to treat investments in Notes as part of the percentage of total assets they must invest in specified assets, which includes "stock or obligations of a corporation which is an instrumentality of the United States." Furthermore, Notes will constitute "government securities" for purposes of the requirement that 75% of the value of a REIT's total assets consists of real estate assets, cash and cash items (including receivables) and government securities. In addition, interest payments on the Notes will be "interest" for purposes of Section 856(c)(2) of the Code. Notes will not constitute "qualified mortgages" for a REMIC.

Interest and Original Issue Discount

General. Each Class of Notes is expected to have an "issue price" equal to its original Class Principal Balance and therefore, taking into account the assumptions below, neither Class of Notes is expected to be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. Treasury Regulations governing contingent payment debt instruments (the "**CPDI Regulations**") do not adequately address certain issues relevant to, and in some instances provide that they are not applicable to, securities similar to the Notes. Accordingly, as described in more detail below, Fannie Mae intends to take the position that the Notes are not subject to the CPDI Regulations and that the stated interest on the Notes is Qualified Stated Interest (as defined below). Payments of stated interest on the Notes that are considered Qualified Stated Interest will be taxable as ordinary income to U.S. Persons at the time that such payments are accrued or received in accordance with the Holder's regular method of accounting for U.S. federal income tax purposes. As described in more detail below, in the event of a principal write-down, or if the Notes are otherwise treated as being issued with OID, Fannie Mae intends to accrue OID and otherwise to account for tax items (other than Qualified Stated Interest) relating to such Notes in accordance with the principles of Section 1272(a)(6) of the Code.

Application of CPDI Regulations. Neither the Code nor applicable Treasury Regulations address how to accrue income, including OID, taking into account the effect of any principal write-downs, for debt obligations with the characteristics of the Notes. The CPDI Regulations generally apply to debt instruments in which the amount of a payment under the instrument is subject to one or more contingencies that are neither remote nor incidental. As of the date of this Prospectus, Fannie Mae believes that the likelihood of a reduction in the principal balance of the Notes due to a Credit Event is remote. Thus, Fannie Mae intends to take the position that the Notes are not subject to the CPDI Regulations.

The IRS could disagree and require Holders of the Notes to accrue interest and OID pursuant to the CPDI Regulations or under a different tax accounting regime. In that event, the amount, timing and character of the income recognized by a Holder of a Note could be materially different from what is described below. See "*Possible Alternate Treatment; Deemed Reissuance*" below.

OID. The Treasury Regulations governing OID define OID as the excess of the "stated redemption price at maturity" (defined below) of each such Note over its "issue price" (defined below) if such excess equals or exceeds a *de minimis* threshold amount. The "issue price" of a Note is the first price at which a substantial amount of the Notes is sold to the public for cash (ignoring sales to bond houses, underwriters, placement agents and other wholesalers). The *de minimis* threshold amount is defined as one-quarter of one percent of such Note's stated redemption price at maturity multiplied by the number of complete years to its maturity. The "stated redemption price at maturity" of a Note is the sum of all payments on the Note other than payments of Qualified Stated Interest.

As noted above, each Class of the Notes is expected to have an "issue price" equal to its original Class Principal Balance and, as described below, Fannie Mae intends to take the position that all stated interest on the Notes constitutes Qualified Stated Interest. Therefore, the Notes are not expected to be issued with OID for U.S. federal income tax purposes.

Qualified Stated Interest. "**Qualified Stated Interest**" includes stated interest that is unconditionally payable in cash or in property at least annually, at a qualified floating rate as provided in the Treasury regulations. Interest is payable unconditionally only if either (i) reasonable legal remedies exist to compel the timely payment of interest or (ii) the terms or conditions under which the debt instrument is issued make the likelihood of a late payment or nonpayment of interest remote. As described in "*Description of the Notes*," if Calculated Tranche Write-down Amounts are allocated to the Notes, the Class Principal Balance of the Notes will be reduced accordingly. Interest will not accrue on the amount by which the Class Principal Balance of the Notes is reduced. If at the time of issuance of the Notes the likelihood of such a reduction were not remote, although there is no authority on point, the interest payable on such Notes likely would not be considered payable unconditionally at least annually. In that event, the interest on the Notes would not be treated as Qualified Stated Interest, and instead, would be treated as OID. In that case, you would be required to accrue OID income, including all of the interest payable, on such Notes on a constant yield to maturity basis, regardless of your regular method of accounting, and whether or not you receive a cash payment of interest on any Payment Date. As noted above, as of the date of this

Prospectus, Fannie Mae believes that the likelihood of a reduction in the Class Principal Balance of the Notes due to a Credit Event is remote. Thus, Fannie Mae intends to take the position that all interest on the Notes is Qualified Stated Interest. Payments of stated interest on the Notes that are considered Qualified Stated Interest will be taxable as ordinary income to U.S. Persons at the time that such payments are accrued or received in accordance with the Holder's regular method of accounting for U.S. federal income tax purposes.

Possible Alternate Treatment; Deemed Reissuance. Fannie Mae intends to take the position that (i) the likelihood of reductions in the Class Principal Balance of the Notes due to Credit Events is remote, (ii) all the stated interest on the Notes is Qualified Stated Interest, and (iii) the Notes are not treated as contingent payment debt instruments. Nonetheless, the meaning of the term "remote" in the Treasury regulations has not yet been addressed in any rulings or other guidance by the IRS or any court. Consequently, the IRS may conclude that the likelihood of reductions in the Class Principal Balance of the Notes due to Credit Events is not remote and that the Notes are subject to the CPDI Regulations or that the interest on the Notes does not constitute Qualified Stated Interest. In that event, you may be required (i) to accrue OID income at a rate higher or lower than the stated interest rate on the Notes, and (ii) to treat as ordinary income, rather than capital gain, any gain on the sale or retirement of the Notes. Furthermore, Holders should be aware that, if the Class Principal Balance of a class of Notes is actually reduced as a result of a Credit Event, such Class of Notes likely would be treated solely for OID purposes as retired and reissued for their "adjusted issue price" (as defined below). In that event, Fannie Mae intends to treat the deemed reissued Notes as contingent payment debt instruments having OID (and no Qualified Stated Interest) for U.S. federal income tax purposes because the likelihood of principal write-downs would no longer be remote.

Accrual of OID. To the extent that Notes are issued, or are treated as being issued, with OID (for example, in the event of a principal write-down) Fannie Mae intends to accrue OID and otherwise to account for tax items (other than Qualified Stated Interest) relating to such Notes in accordance with the principles of Section 1272(a)(6) of the Code.

Section 1272(a)(6) of the Code provides rules for the accrual of OID in cases where principal payments on a debt instrument are accelerated because of prepayments on other obligations securing the debt instrument. The Notes are not secured by the Reference Pool, nor are principal and interest payments received with respect to the Reference Pool being used to fund payments on the Notes. However, the timing of principal payments on the Notes is based on the rate at which scheduled and unscheduled principal payments are received with respect to the Reference Pool. Thus, although Section 1272(a)(6) of the Code does not technically apply to the Notes, the method for accruing OID that is contained in that provision appears to be a method that appropriately apportions OID over the term of the Notes. Consequently, if the Notes are considered to have OID, Fannie Mae intends to apply the tax accounting principles of Section 1272(a)(6) of the Code to the Notes where appropriate, as described in greater detail below.

Fannie Mae believes that the application of such tax accounting principles is appropriate even in cases where Notes are treated as contingent payment debt instruments (or become treated as such as a result of a deemed reissuance occurring in connection with an actual principal write-down). The CPDI Regulations do not currently provide tax accounting rules for instruments, like the Notes, that have timing contingencies. Thus, even if the Notes were treated as contingent payment debt instruments, because the CPDI Regulations do not address timing contingencies of the type applicable to the Notes, Fannie Mae believes that the tax accounting methodology described below, rather than the methodology in the CPDI Regulations, would be more properly applicable to the Notes. The remainder of this discussion is based on a tax accounting methodology incorporating the principles of Section 1272(a)(6) of the Code being respected for U.S. federal income tax purposes. The IRS may not agree with this treatment. Holders of Notes should consult their tax advisors regarding the proper tax accounting methodology for the Notes under U.S. federal income tax law, including the potential application of the CPDI Regulations.

In general, OID accrues under Section 1272(a)(6) of the Code based on a prepayment assumption that is used for U.S. federal income tax purposes (and may not represent the rate at which the Notes in fact prepay) (the "**PAC Method**"). Under the PAC Method, the amount of OID allocable to any accrual period for a Note will equal the excess, if any, of (i) the sum of (A) the present value of all remaining payments under the Note as of the end of the accrual period and (B) any payments made on such Note during the accrual period of amounts included in the stated redemption price at maturity of the Note over (ii) the adjusted issue price of such Note at the beginning of the accrual period. The OID so determined is allocated ratably among the days in the accrual period.

The adjusted issue price of a Note at the beginning of the first accrual period will be its issue price. The adjusted issue price at the end of any accrual period (and, therefore, at the beginning of the subsequent accrual period) is determined by discounting the remaining payments due on the applicable class of Notes at their yield to maturity. The remaining payments due are projected based on the pricing prepayment assumption used to price the Notes at issuance (the "**Prepayment Assumption**"), but taking into account events (including actual principal payments) that have occurred prior to the end of the accrual period.

For this purpose, the yield to maturity of a Note is determined on the issue date by projecting the payments expected to be received on such Note over its life based on the Prepayment Assumption. The yield to maturity of a Note is the discount rate that, when applied to the stream of payments projected to be made on such Note as of the issue date, produces a present value equal to the issue price of such Note. The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been issued. 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 debt issuance, which, in turn, presumably would be based on a reasonable expectation regarding the rate of prepayments on the underlying mortgage loans. For tax information reporting purposes, the Global Agent will apply the Prepayment Assumption without projections of Credit Events.

Under the PAC Method, accruals of OID will increase or decrease (but never below zero) to reflect the fact that payments on the Reference Pool are occurring at a rate that is faster or slower than that assumed under the Prepayment Assumption. In certain circumstances (e.g., because a principal write-down is allocated to a particular class of Notes), a Holder's OID accrual under the PAC Method may be negative for one or more accrual periods. In that event, the Holder will not be permitted to deduct such amount currently and instead will be entitled to offset such negative accruals only against future positive OID accruals on that Note. All or a portion of a Holder's loss attributable to negative OID accruals may be treated as a capital loss upon disposition or retirement if the related Note is held as a capital asset. The timing and character of such losses is not entirely clear, and Holders should consult their tax advisors regarding the U.S. federal income tax treatment of negative OID accruals. A principal write-up, on the other hand, allocated to a particular class of Notes generally will result in a positive OID accrual (or will offset prior negative OID accruals).

Market Discount and Premium

If you purchase a Note at an amount (net of accrued interest) less than its stated redemption price at maturity (or, in the case of a Note with OID, its adjusted issue price), you will have market discount with respect to such Note in the amount of the shortfall. If you purchase a Note with market discount you are required (unless such market discount is a *de minimis* amount) to treat any principal payments on, or any gain realized upon the disposition or retirement of such Note, as interest income to the extent of the market discount that accrued while you held such Note, unless you elect to include such market discount in income on a current basis. If you make an election to include market discount in income on a current basis, it will apply to all debt instruments with more than *de minimis* market discount that you acquire on or after the beginning of the first taxable year to which the election applies. You may revoke the election only with the consent of the IRS. If you acquire a Note at more than *de minimis* market discount and you do not elect to include market discount in income on a current basis, you may be required to defer the deduction of a portion of the interest expense on any indebtedness you incurred or continued to purchase or carry the Note until the deferred income is realized. If you dispose of a Note with more than a *de minimis* amount of market discount in a nontaxable transaction (other than a nonrecognition transaction described in Section 1276(d) of the Code), accrued market discount is includible as ordinary income as if you had sold the Note at its then fair market value.

If you purchase a Note for an amount (net of accrued interest) in excess of its principal amount (or, in the case of a Note with OID, its remaining stated redemption price at maturity), you will have premium with respect to such Note in the amount of such excess. A Holder who purchases a Note at a premium may elect to treat such premium as "amortizable bond premium." If you make this election, the amount of interest that you must include in income for each accrual period (where such Note is not optionally redeemable prior to its Maturity Date) is reduced (but not below zero) by the portion of the premium allocable to such period based on the Note's yield to maturity. If the amortizable bond premium allocable to an accrual period exceeds the interest allocable to that accrual period, you may treat the excess as a bond premium deduction for the accrual period. However, the amount treated as a

bond premium deduction is limited to the amount by which your total interest income on the Note in prior accrual periods exceeds the total amount treated by you as a bond premium deduction on the Note in prior accrual periods. If a Note may be called prior to maturity, but after you acquired it, you generally may not assume that the call will be exercised and must amortize premium to the Maturity Date. If the Note is in fact called, you may deduct any unamortized premium in the year of the call. If you make the election described above, the election will apply to all debt instruments the interest on which is not excludible from gross income ("**Fully Taxable Bonds**") that you hold at the beginning of the first taxable year to which the election applies and to all Fully Taxable Bonds you later acquire. You may revoke this election only with the consent of the IRS.

If you do not make this election, you must include the full amount of each interest payment in income in accordance with your regular method of tax accounting, and you will receive a tax benefit from the premium only in computing your gain or loss upon the sale or other disposition or retirement of the Note. Thus, in that event, the premium will reduce capital gain or increase capital loss realized on the disposition or retirement of the Note.

If you purchase a Note with OID at a purchase price that exceeds the remaining stated redemption price at maturity of a Note, you are not required to include in income any OID with respect to such Note. If you purchase a Note with OID for an amount in excess of its adjusted issue price, but less than its remaining stated redemption price at maturity, you will have acquisition premium with respect to such Note in the amount of such excess. If you purchase a Note with OID at an acquisition premium, the amount of OID you will include in income in each taxable year will be reduced by that portion of the acquisition premium properly allocable to such year. Unless you make the accrual method election described below in "*U.S. Persons—Accrual Method Election*," acquisition premium is allocated on a pro rata basis to each accrual of OID, so that you are allowed to reduce each OID accrual by a constant fraction.

The relevant legislative history provides that market discount and premium on a debt instrument to which Section 1272(a)(6) of the Code applies may be treated as accruing either (i) on the basis of a constant interest rate or (ii) (a) in the case of a Note issued without OID, in the ratio of the stated interest payable in the relevant period to the total stated interest remaining to be paid measured as of the beginning of such period (computed taking into account the Prepayment Assumption) or (b) in the case of a Note issued with OID, in the ratio of the OID accruing in the relevant period to the total OID remaining unaccrued as of the beginning of such period (computed taking into account the Prepayment Assumption). The Global Agent will publish a monthly market discount accrual ratio for Holders to determine the amount of accrued market discount and premium using the method described in (ii) above.

Holders should consult their own tax advisors regarding the application of the market discount and premium rules and the advisability of making the elections described above with respect to Notes.

Accrual Method Election

You may elect to include in gross income your entire return on a Note (i.e., the excess of all remaining payments to be received on the Note over the amount you paid for the Note) based on the compounding of interest at a constant rate (the "**Accrual Method Election**"). In some instances, the Accrual Method Election may mitigate any negative OID accruals that may arise under the PAC Method. Such an election for a Note with amortizable bond premium will result in a deemed election for all your debt instruments with amortizable bond premium to amortize the premium. Such an election for a Note with market discount will result in a deemed election for all your debt instruments with market discount that you acquire on or after the beginning of the taxable year in which you make the election. You may revoke the Accrual Method Election only with the permission of the IRS. Holders should consult their own tax advisors regarding the advisability of making the Accrual Method Election with respect to a Note.

Medicare Tax

Certain non-corporate Holders will be subject to an increased rate of tax on some or all of their "net investment income," which generally will include interest, OID and market discount realized on a Note and any net gain recognized upon a disposition of a Note. You should consult your own tax advisor regarding the applicability of this tax in respect of your Note.

Disposition or Retirement of Notes

When you sell, exchange or otherwise dispose of a Note, or when we retire a Note (including by redemption), you will recognize gain or loss equal to the difference, if any, between the amount you realize upon the disposition or retirement (excluding any accrued but unpaid interest, which will be taxed separately as ordinary income) and your tax basis in the Note. Your tax basis for determining gain or loss on the disposition or retirement of a Note generally is your U.S. dollar cost of such Note, increased by the amount of any OID and any market discount includible in your gross income with respect to such Note, and decreased by the amount of any payments under the Note that are part of its stated redemption price at maturity (i.e., payments other than Qualified Stated Interest) and by the portion of any premium previously taken into account to reduce interest payments.

The character of gains or losses recognized upon the disposition or retirement of the Notes will depend on whether they are treated as contingent payment debt instruments for U.S. federal income tax purposes. As discussed above, it is not entirely clear whether the Notes should be characterized as contingent payment debt instruments, but Fannie Mae currently intends to take the position that neither Class of Notes should be treated as such at the time of their issuance. Holders should be aware that the IRS could take a different position regarding the treatment of the Notes. In addition, if the principal balance of a Class of Notes is actually reduced as a result of a Credit Event, such Class of Notes likely would be treated as retired and reissued for its adjusted issue price. In that event, Fannie Mae intends to treat the deemed reissued Notes as contingent payment debt instruments for U.S. federal income tax purposes because the likelihood of principal write-downs would no longer be remote.

To the extent that the Notes are not considered contingent payment debt instruments, any gain or loss you realize on a disposition or retirement of a Note is capital gain or loss (except to the extent the gain represents accrued interest, OID or market discount on the Note not previously included in gross income, to which extent such gain or loss would be treated as ordinary income). Any capital gain or loss is long-term capital gain or loss if at the time of disposition or retirement you held the Note for more than one year. The deductibility of capital losses is subject to limitations. Certain non-corporate Holders (including individuals) are eligible for preferential U.S. federal income tax rates on long-term capital gains.

In the event that a Class of Notes is treated as contingent payment debt instruments for U.S. federal income tax purposes (either at issuance or upon a deemed reissuance), the CPDI Regulations provide special rules that generally would characterize any taxable gain on such a Note as ordinary income. Any taxable loss would be ordinary to the extent of the Holder's ordinary income inclusions with respect to the Note, and any excess generally would be treated as capital loss.

Holders should contact their own tax advisors regarding the U.S. federal income tax treatment of a disposition or retirement of a Note.

Treatment if the Notes Are Not Respected as Indebtedness

As discussed above, the IRS may not agree with Fannie Mae's treatment of the Notes as debt instruments for U.S. federal income tax purposes. If the IRS were to successfully contend that any class of Notes were properly characterized as an equity security, a derivative, or some other form of financial instrument issued by Fannie Mae for U.S. federal income tax purposes, the amount, timing and character of the income and other tax items reportable by the Holders of reclassified Notes could differ materially from the amount, timing and character of the income and other tax items reportable by such Holders if the Notes were treated as indebtedness for U.S. federal income tax purposes. Moreover, as discussed below, in the event of such a recharacterization, payments representing income on the Notes held by non-U.S. Persons could be subject to U.S. withholding tax.

Non-U.S. Persons

The following discussion applies to you if you are a non-U.S. Person and, except as indicated below, is based on the characterization of the Notes as indebtedness of Fannie Mae for U.S. federal income tax purposes.

Interest and OID

If you own a Note and are a non-U.S. Person, each payment of interest (and any payment of principal representing OID, if any) on the Note generally will be subject to a 30% U.S. withholding tax, unless

- you meet the general exemption for non-U.S. Persons described below;
- you meet the requirements for a reduced rate of withholding under a treaty; or
- the interest is "effectively connected" to a business you conduct in the United States (or, if an income tax treaty applies, the interest is attributable to a permanent establishment that you maintain in the United States), in each case as further described below.

In certain circumstances, you may be able to claim amounts that are withheld as a refund or as a credit against your U.S. federal income tax. If the 30% U.S. withholding tax on payments of interest (including OID, if any) does not apply, as described herein, such payments may nevertheless be subject to FATCA withholding tax, as defined below in "*United States FATCA Withholding Tax*."

General Exemption for Non-U.S. Persons. Payments of interest (and any payment of principal representing OID, if any) on a Note to any non-U.S. Person generally are exempt from U.S. withholding tax if you satisfy the following conditions:

- (1) the appropriate payor in the chain of payment (the "**Withholding Agent**") has received prior to payment in the year in which such payment occurs, or in either of the two preceding years, a statement signed by you under penalties of perjury that certifies that you are not a U.S. Person and provides your name, address and taxpayer identification number, if any;
- (2) the Withholding Agent and all intermediaries between you and the Withholding Agent do not know or have reason to know that your non-U.S. beneficial ownership statement is false; and
- (3) you are not (a) a bank that receives payments on the Notes that are described in Section 881(c)(3)(A) of the Code, (b) a 10% shareholder of Fannie Mae within the meaning of Section 871(h)(3)(B) of the Code, or (c) a "controlled foreign corporation" related to Fannie Mae within the meaning of Section 881(c)(3)(C) of the Code.

In addition, the portfolio interest exemption will not apply if the interest payable on the Notes is determined by reference to any receipts, sales or other cash flow of Fannie Mae or a related person, the income or profits of Fannie Mae or a related person, or a change in value of any property of Fannie Mae or a related person, or any other item specified in Section 871(h)(4)(A) of the Code. While Fannie Mae has guaranteed all of the loans in the Reference Pool (and may also own some of the loans), this exclusion from the portfolio interest exemption will not apply because payments on the Notes are determined by reference to calculated losses on the Reference Pool and not by reference to actual losses. Because there will be meaningful differences between the calculated losses and actual losses on the Reference Pool, the amount of interest payments on the Notes will not be determined by reference to a change in value of any property of Fannie Mae or any of the other items specified above.

You may make the non-U.S. beneficial ownership statement on an IRS Form W-8BEN or a substantially similar substitute form. You must inform the Withholding Agent (or the last intermediary in the chain between you and the Withholding Agent) of any change in the information on the statement within 30 days of the change. If you hold a Note through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent on your behalf. In such case, however, the signed statement must be accompanied by a copy of a Form W-8BEN or substitute form provided by you to the organization or institution. The U.S. Treasury Department is empowered to publish a determination that a beneficial ownership statement from any person or class of persons will not be sufficient to preclude the imposition of U.S. federal withholding tax with respect to payments of interest made at least one month after the publication of such determination.

Exemption or Reduced Withholding Rate for Non-U.S. Persons Entitled to the Benefits of a Treaty. If you are entitled to the benefit of an income tax treaty to which the United States is a party, you may be eligible for an exemption from, or a reduced rate of, U.S. withholding tax (depending on the terms of the applicable treaty). An exemption or rate reduction under a treaty generally can be obtained by providing the Withholding Agent with a properly completed IRS Form W-8BEN, or any successor form, before interest is paid. However, neither an exemption nor a reduced withholding rate will be available if the Withholding Agent has actual knowledge or reason to know that the form is false.

Exemption for Non-U.S. Persons with Effectively Connected Income. If the interest (or OID, if any) you earn on a Note is "effectively connected" to a business you conduct in the United States (or, if an income tax treaty applies, the interest is attributable to a permanent establishment that you maintain in the United States), you generally can obtain an exemption from U.S. withholding tax by providing to the Withholding Agent a properly completed IRS Form W-8ECI, or any successor form, prior to the payment of interest, unless the Withholding Agent has actual knowledge or reason to know that the form is false. Payments of interest (or OID, if any) on a Note exempt from U.S. withholding tax as effectively-connected income nevertheless may be subject to U.S. federal income tax at graduated rates as if such amounts were earned by a U.S. Person. A non-U.S. Person that is a foreign corporation treated as engaged in the conduct of a trade or business in the United States through an unincorporated U.S. branch may be subject to branch profits tax in respect of interest (or OID, if any) earned on a Note.

Partnerships and Other Pass-through Entities. A payment to a foreign partnership is treated, with some exceptions, as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a Note through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

Disposition or Retirement of Notes

Except as provided below in "*United States FATCA Withholding Tax*" and "*Information Reporting and Backup Withholding*," a non-U.S. Person (other than certain nonresident alien individuals present in the United States for a total of 183 days or more during the taxable year of the disposition or retirement) will not be subject to U.S. federal income tax or U.S. withholding tax with respect to any gain that is realized on the disposition or retirement of a Note, provided that the gain is not effectively connected with the conduct by the non-U.S. Person of a U.S. trade or business (or, if an income tax treaty applies, the gain is not attributable to a permanent establishment that the non-U.S. Person maintains in the United States). A non-U.S. Person that is a foreign corporation treated as engaged in the conduct of a trade or business in the United States through an unincorporated U.S. branch may be subject to branch profits tax on any gain from the disposition or retirement of a Note.

Treatment if the Notes Are Not Respected as Indebtedness

As discussed above, the IRS may not agree with Fannie Mae's treatment of the Notes as debt instruments for U.S. federal income tax purposes. If the IRS were to successfully contend that any class of Notes were properly characterized as an equity security, a derivative or some other form of financial instrument issued by Fannie Mae for U.S. federal income tax purposes, payments representing income on Notes held by non-U.S. Persons could be subject to U.S. withholding tax. In particular, if Notes were recharacterized as equity securities of Fannie Mae, payments on such Notes generally would be subject to U.S. withholding tax at a 30% rate to the extent such payments represented dividends for U.S. income tax purposes, unless the Holder is eligible for an exemption or reduced withholding rate under an applicable tax treaty or an exemption under an applicable provision of the Code (e.g., Section 892 of the Code). Similarly, if Notes were recharacterized as a derivative (other than a notional principal contract), although the law is not clear, it is possible that periodic income would be subject to U.S. withholding tax at a 30% rate (or lower rate established by applicable statute or tax treaty). If the IRS were to successfully contend that any class of Notes were properly characterized as an equity security, a derivative or some other form of financial instrument issued by Fannie Mae for U.S. federal income tax purposes, gain on the disposition or retirement of the recharacterized Notes generally would be subject to U.S. federal income tax or U.S. withholding tax only in the circumstances described above under "*Non-U.S. Persons—Disposition or Retirement of Notes*."

In the event that a withholding tax is imposed on any payment in respect of a Note, Fannie Mae has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Notes before their stated maturity.

United States FATCA Withholding Tax

Under the Foreign Account Tax Compliance Act ("**FATCA**") and Treasury Regulations, a 30% withholding tax ("**FATCA withholding tax**") generally will apply to payments of interest (and any payment of principal representing OID) on a Note after June 30, 2014, and gross proceeds from the disposition or redemption of a Note (which includes principal payments) after December 31, 2016, in each case for Notes issued after June 30, 2014 and payments that are made to foreign financial institutions and certain other non-financial foreign entities. The FATCA withholding tax would not be imposed on obligations that are outstanding on July 1, 2014 (and that are not significantly modified after June 30, 2014). The FATCA withholding tax generally will not apply where such payments are made to (i) a foreign financial institution that enters into an agreement with the IRS to, among other requirements, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, report annually information about such accounts and withhold tax as may be required by such agreement; or (ii) a non-financial foreign entity that certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. Application of the FATCA withholding tax does not depend on whether the payment otherwise would be exempt from U.S. withholding tax under an exemption described under "*Non-U.S. Persons—Interest and OID*" or as capital gain. If the Notes were "significantly modified" on or after July 1, 2014 in such a way that they were considered to be re-issued for U.S. federal income tax purposes, the grandfathering provision would no longer apply and the FATCA withholding tax would apply to interest payments and gross proceeds as described above.

In the event that the FATCA withholding tax is imposed on any payment of interest on, or gross proceeds from the disposition or redemption of, a Note, Fannie Mae has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Notes before their stated maturity.

Information Reporting and Backup Withholding

Payments of principal of and interest (including OID, if any) on Notes held by U.S. Persons other than corporations and other exempt Holders are required to be reported to the IRS and the Holder. Payments of principal of and interest (including OID, if any) on Notes held by non-U.S. Persons generally are required to be reported to the IRS and the Holder.

The Global Agent shall furnish or make available, at such times as required by applicable law, to each Holder or beneficial owner of Notes such information as may be required to be provided under applicable law to enable Holders and beneficial owners to prepare their U.S. federal income tax returns, if applicable.

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Notes, as well as payments of proceeds from the sale of Notes. Backup withholding will apply on such payments to Holders or beneficial owners that are not "exempt recipients" and that fail to provide certain identifying information (such as their taxpayer identification numbers) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

If a Note is sold before its Maturity Date to (or through) a broker, the broker may be required to withhold a portion of the sale price. The broker will not withhold if either the broker determines that the seller is a corporation or other exempt recipient or the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Person, certifies that such seller is a non-U.S. Person (and certain other conditions are met). The broker must report such a sale to the IRS unless the broker determines that the seller is an exempt recipient or the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the beneficial owner's non-U.S. status normally would be made on IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit certain other signed forms. For these purposes, the term "broker" includes all persons who, in the ordinary course of business, stand ready to effect sales made by others. This information reporting requirement generally will apply to a U.S. office of a broker and to a foreign office of a U.S. broker, as well as to a foreign office of a foreign broker (i) that is a "controlled foreign corporation" within the meaning of Section 957(a)

of the Code, (ii) 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the foreign broker has been in existence) was effectively connected with the conduct of a trade or business within the United States, or (iii) that is a foreign partnership with certain connections to the United States, unless such foreign office has both documentary evidence that the seller is a non-U.S. Person and no actual knowledge, or reason to know, that such evidence is false.

A payment to a foreign partnership is treated, with some exceptions, for backup withholding purposes as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a Note through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

A beneficial owner may claim any amounts withheld under the backup withholding rules as a refund or a credit against the beneficial owner's U.S. federal income tax, provided that the required information is furnished to the IRS. Furthermore, the IRS may impose certain penalties on a Holder or beneficial owner who is required to supply information but who does not do so in the proper manner.

Payments of interest (including OID, if any) on a Note that is beneficially owned by a non-U.S. Person will be reported annually on IRS Form 1042-S, which the Withholding Agent must file with the IRS and furnish to the beneficial owner.

In the event that any U.S. withholding or backup withholding tax is imposed, Fannie Mae has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Notes before their stated maturity.

General Information

The U.S. federal tax discussion set forth above is included for your general information only and may not apply in your particular situation. You should consult your own tax advisors with respect to the tax consequences of your purchase, ownership and disposition of the Notes, including the tax consequences under the tax laws of the United States, states, localities, countries other than the United States and any other taxing jurisdictions and the possible effects of changes in such tax laws.

STATE, LOCAL AND FOREIGN TAX CONSEQUENCES

In addition to the U.S. federal tax consequences described above, prospective investors in the Notes should consider the potential U.S. state and local tax consequences of the acquisition, ownership and disposition of the Notes and the tax consequences of the law of any non-U.S. jurisdiction in which they reside or do business. State, local and foreign tax law may differ substantially from the corresponding U.S. federal tax law, and the discussion above does not purport to describe any aspect of the tax law of any state or other jurisdiction. You should consult your own tax advisors with respect to such matters.

LEGAL INVESTMENT

If prospective investors' investment activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities, prospective investors may be subject to restrictions on investment in the Notes. Prospective investors should consult legal, tax and accounting advisers for assistance in determining the suitability of and consequences of the purchase, ownership and sale of the Notes.

- The Notes do not represent an interest in and will not be secured by the Reference Pool or any Reference Obligation.
- The Notes will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended ("SMMEA").
- The Notes may be regarded by governmental authorities or others, or under applicable law, as high-risk, risk-linked or otherwise complex securities.

The Notes should not be purchased by prospective investors who are prohibited from acquiring securities having the foregoing characteristics. In addition, the Notes should not be purchased by prospective investors located in jurisdictions where their purchase of Notes could subject them to the risk of regulation as an insurance or reinsurance company or as otherwise being engaged in an insurance business.

None of the Issuer, the Dealers, the Global Agent or any of their respective affiliates have made or will make any representation as to (i) the proper characterization of the Notes for legal investment or other purposes, (ii) the ability of particular prospective investors to purchase Notes for legal investment or other purposes or (iii) the ability of particular prospective investors to purchase Notes under applicable investment restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Dealers, the Global Agent or any of their respective affiliates have made or will make any representation as to the characterization of the Notes as a United States or non-United States investment under any state insurance code or related regulations. None of the Issuer, the Dealers, the Global Agent or any of their respective affiliates are aware of any published precedent that addresses such characterization. There can be no assurance as to the nature of any advice or other action that may result from such consideration or the effect, if any, such advice or other action resulting from such consideration may have on the Notes.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of material considerations arising under ERISA and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser of the Notes that is an employee benefit plan, or certain other retirement plans and arrangements, including individual retirement accounts ("**IRAs**") and annuities, Keogh plans, and collective investment funds in which such plans, accounts, annuities or arrangements are invested, that are described in or must follow Title I of ERISA or Section 4975 of the Code, or an entity that is deemed to hold the assets of any such plan or arrangement, or a governmental or church plan or foreign plan that is subject to foreign law or United States federal, state or local law similar to that of Title I of ERISA or Section 4975 of the Code (collectively, "**Plans**," and each such law, a "**Similar Law**") or a person or entity acting on behalf of, using the assets of or deemed to use the assets of a Plan. The discussion does not purport to deal with all aspects of ERISA or Section 4975 of the Code or Similar Law that may be relevant to particular Plans in light of their particular circumstances.

The discussion is based on current provisions of ERISA and the Code, existing regulations under ERISA and the Code, the legislative history of ERISA and the Code, existing administrative rulings of the United States Department of Labor ("**DOL**") and reported judicial decisions. No assurance can be given that legislative, judicial, or administrative changes will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of such changes. Unless otherwise stated, reference in this section to the purchase, holding or disposition of a Note shall also mean the purchase, holding or disposition of a beneficial interest in such Note.

General

ERISA and Section 4975 of the Code impose certain requirements and duties on Plans and on persons who are fiduciaries of Plans and of entities whose underlying assets include assets of Plans by reason of a Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that a Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of a Plan by taking into account the Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain United States federal, state and local laws impose similar duties on fiduciaries of governmental or church plans which are not subject to ERISA.

Any fiduciary of a Plan or of an entity whose underlying assets include assets of Plans by reason of a Plan's investment in such entity, or of a governmental or church plan or foreign plan that is subject to fiduciary standards similar to those of ERISA ("**Plan Fiduciary**"), that proposes to cause such a Plan or entity to purchase the Notes should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Notes is appropriate for such plan or entity. In determining whether a particular investment is appropriate for a Plan, DOL regulations provide that the fiduciaries of a Plan must give appropriate consideration to, among other things, the role that the investment plays in the Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the Plan's purposes, an examination of the risk and return factors, the portfolio's

composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the Plan and the projected return of the total portfolio relative to the Plan's funding objectives. Before investing the assets of a Plan in the Notes, a Plan Fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such Plan Fiduciary may be subject.

Prohibited Transactions

General

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions ("**Prohibited Transactions**") involving the assets of a Plan and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such Plans, unless an exemption is available. A party in interest or disqualified person who engages in a Prohibited Transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. Section 4975 of the Code imposes excise taxes, or, in some cases, a civil penalty may be assessed pursuant to Section 502(i) of ERISA, on parties in interest which engage in non-exempt Prohibited Transactions. If the disqualified person who engages in the transaction is the individual on behalf of whom an IRA is maintained (or his beneficiary), the IRA will lose its tax-exempt status and its assets will be deemed to have been distributed to such individual in a taxable distribution (and no excise tax will be imposed) on account of the Prohibited Transaction. In addition, a Plan Fiduciary who permits a Plan to engage in a transaction that the Plan Fiduciary knows or should know is a Prohibited Transaction may be liable to the Plan for any loss the Plan incurs as a result of the transaction or for any profits earned by the Plan Fiduciary in the transaction.

Plan Asset Regulation

The DOL has promulgated regulations at 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. The Plan Asset Regulation describes the circumstances under which Plan Fiduciaries and entities with certain specified relationships to a Plan are required to "look through" the investment vehicle (such as the Issuer) and treat as an asset of the Plan each underlying investment made by such investment vehicle. If the assets of an entity or an investment vehicle in which a Plan invests are considered to be "plan assets" pursuant to the Plan Asset Regulation, then any person who exercises control over those assets may be subject to ERISA's fiduciary standards. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, as amended ("**Investment Company Act**"), the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors (as defined below) is not "significant". Equity participation by Benefit Plan Investors in an entity or investment vehicle is significant if, after the most recent acquisition of any class of securities in the entity or investment vehicle, 25% or more of the value of any class of equity interests in the entity or investment vehicle (excluding the value of interests held by certain persons who exercise discretion and control over the assets of such entity or investment vehicle or receive a fee for advice to such entity or vehicle) is held by Benefit Plan Investors.

The term "**Benefit Plan Investor**" as defined in the Plan Asset Regulations includes (i) any employee benefit plan as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) any plan described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets are deemed to include assets of an employee benefit plan or plan by reason of the ownership of equity interests in such entity by one or more employee benefit plans or a plans. Under the Plan Asset Regulation, the term "equity interest" is defined as any interest in an entity other than an instrument that is treated as indebtedness under "applicable local law" and which has no "substantial equity features". The Notes should not be considered to be "equity interests" in the Issuer. This determination is based in part on (i) the opinion from Hunton & Williams LLP, our special U.S. federal income tax counsel, to the effect that, although the matter is not free from doubt, the Notes will be treated as indebtedness for U.S. federal income purposes and (ii) the traditional debt features of the Notes, including the reasonable expectation of purchasers of Notes that the Notes will be repaid when due, as well as the absence from the Notes of conversion rights, warrants and other typical equity features. As a result, the Issuer's assets should not be treated as plan assets

under the Plan Asset Regulation. Further, even if the Notes were characterized as equity, the Issuer's assets should not be treated as plan assets under the Plan Asset Regulation, because the Issuer should qualify as an operating company.

Prohibited Transaction Exemptions

Additionally, Prohibited Transactions may arise if Notes are acquired by a Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of a Plan with respect to which the Issuer or any of its affiliates is a party in interest or a disqualified person. Certain exemptions from the Prohibited Transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan Fiduciary making the decision to acquire the Notes and the circumstances under which such decision is made. Included among these exemptions are PTCE 96-23 (relating to transactions directed by an in-house professional asset manager); PTCE 95-60 (relating to transactions involving insurance company general accounts); PTCE 91-38 (relating to investments by bank collective investment funds); PTCE 84-14 (relating to transactions effected by a qualified professional asset manager); and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 401(a)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for prohibited transactions between a Plan and a person that is a party in interest or a disqualified person (other than a fiduciary or an affiliate of a fiduciary that has or exercises discretionary authority or control or renders investment advice with respect to the assets involved in the transaction) solely by reason of providing services to the Plan, provided that there is adequate consideration. Prospective investors should consult with their advisors regarding the application of any of the foregoing administrative or statutory exemptions. There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Governmental plans, church plans or foreign plans, while not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code or the fiduciary provisions of ERISA (including the provisions of ERISA pursuant to which assets of a Plan may be deemed to include assets of the Issuer or pursuant to which the Issuer could be deemed to be a fiduciary with respect to such Plan) may nevertheless be subject to Similar Law.

Each purchaser or transferee of a Note that is a Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of any Plan will represent or be deemed to have represented that the purchase, ownership and disposition of a Note or any beneficial interest therein will not constitute or result in a non-exempt Prohibited Transaction or in the case of a governmental plan, church plan or foreign plan, a violation of Similar Law.

Review by Plan Fiduciaries

Any Plan Fiduciary considering whether to purchase Notes on behalf of a Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to a related investment and the availability of any prohibited transaction exemptions. The sale of the Notes to a Plan is in no respect a representation by the Issuer that this investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan or that this investment is appropriate for any such Plans generally or any particular Plan.

BY ITS PURCHASE OF A NOTE (OR A BENEFICIAL INTEREST THEREIN), THE PURCHASER THEREOF WILL REPRESENT OR WILL BE DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT AND IS NOT ACTING ON BEHALF OF: (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, (III) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, WHICH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR FOREIGN PLAN WHICH IS SUBJECT TO SIMILAR LAW OR (B) ITS PURCHASE, OWNERSHIP OR DISPOSITION OF SUCH NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, OR FOREIGN PLAN, ANY VIOLATION OF SIMILAR LAW).

DISTRIBUTION ARRANGEMENTS

We will offer the Notes to or through the Dealers under the terms and conditions set forth in the dealer agreement, dated as of January [], 2014 (as amended, supplemented or replaced from time to time, the "**Dealer Agreement**"), between us, BofA Merrill Lynch and Barclays Capital Inc. ("**Barclays**"), under which BofA Merrill Lynch is acting for itself and as representative of Credit Suisse Securities (USA) LLC ("**Credit Suisse**"), Morgan Stanley & Co. LLC ("**Morgan Stanley**") and Nomura Securities International, Inc. ("**Nomura**"), each in its capacity as dealer, and The Williams Capital Group, L.P., in its capacity as a selling group member, and Credit Suisse is acting for itself. BofA Merrill Lynch, Credit Suisse, RBS, Barclays and Morgan Stanley are collectively referred to as the "**Dealers**".

Under the terms and subject to the conditions set forth in the Dealer Agreement for the sale of Notes, each of the Dealers has severally agreed, subject to the terms and conditions set forth therein, to purchase the principal balance of the Notes set forth opposite its name below:

	Principal Balance of Class M-1 Notes	Amount of Dealer Fee for Class M-1 Notes	Net Proceeds to Seller for Class M-1 Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$	\$	\$
Barclays Capital Inc.	\$	\$	\$
Credit Suisse Securities (USA) LLC	\$	\$	\$
Morgan Stanley & Co. LLC	\$	\$	\$
Nomura Securities International, Inc.	\$	\$	\$
Total	\$375,000,000	\$	\$

	Principal Balance of Class M-2 Notes	Amount of Dealer Fee for Class M-2 Notes	Net Proceeds to Seller for Class M-2 Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$	\$	\$
Barclays Capital Inc.	\$	\$	\$
Credit Suisse Securities (USA) LLC	\$	\$	\$
Morgan Stanley & Co. LLC	\$	\$	\$
Nomura Securities International, Inc.	\$	\$	\$
Total	\$375,000,000	\$	\$

The Dealers will be acting as Fannie Mae's agents in the placing of the Notes and the Dealers' responsibility in this regard is limited to a "commercially reasonable best efforts" basis in placing the Notes with no understanding, express or implied, on the Dealers' part of a commitment to purchase or place the Notes. Fannie Mae will sell the Notes to each purchaser through the Dealers as agents and the Dealers will have no ownership interest in or title to the Notes prior to the purchase thereof by the purchasers and, in the event any such purchase is not consummated for any reason by a purchaser, will have no obligation to purchase any related Notes from Fannie Mae for their own accounts; *provided, however*, that the Dealers will have the right, but will not be obligated, to purchase Notes as principals for their own accounts or to facilitate the sale of any Notes to a purchaser by acting as initial purchaser. The Dealer Agreement entitles the Dealers or us to terminate such sale in certain circumstances before payment for the Notes is made to us. Except under certain circumstances, any Dealer may sell the Notes it has purchased as principal to other dealers at a concession, in the form of a discount that other Dealers receive. The concession may be all or a portion of the underwriting compensation. For a description of potential conflicts that exist among the parties involved in this transaction, see "*Risk Factors — The Interests of Fannie Mae, the Dealers and Others May Conflict With and be Adverse to the Interests of the Noteholders*".

The Dealer Agreement provides that Fannie Mae will be required to indemnify the Dealers against certain civil liabilities under the Securities Act or contribute to payments to be made in respect of such liabilities.

The Dealers may make a secondary market in the Notes, but are not obligated to do so. There can be no assurance that a secondary market for the Notes will develop or, if it does develop, that it will continue.

Price Stabilization

In connection with this offering, the Dealers, acting directly or through affiliates, may engage in transactions that stabilize, maintain or otherwise affect the market price of the Notes. Such transactions may include stabilizing transactions pursuant to which the Dealers, acting directly or through affiliates, may bid for or purchase Notes in the open market or otherwise for the purpose of stabilizing the market price of the Notes. A Dealer, acting directly or through affiliates, may also create a short position for its account by selling more Notes in connection with the offering than it is committed to purchase from the Issuer, and in such case may purchase Notes in the open market following completion of the offering to cover all or a portion of such short position. Any of the transactions described in this paragraph may result in the maintenance of the price of the Notes at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and if any are undertaken, they may be discontinued at any time.

The Dealers and their respective affiliates may engage in transactions with, or perform services for, the Issuer and their respective affiliates in the ordinary course of business.

Delivery and Settlement

It is expected that delivery of the Notes to investors will be made in book-entry form through the Same-Day Funds Settlement System of DTC, which may include delivery through Clearstream and Euroclear on or about the Closing Date, against payment therefor in immediately available funds. See "*Description of the Notes — Form, Registration and Transfer of the Notes*".

Limited Liquidity

There currently is no secondary market for the Notes, and there can be no assurance that such a market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. The Dealers will have no obligation to make a market in the Notes. Even if a Dealer engages in market-making activities with respect to the Notes, it may discontinue or limit such activities at any time. In addition, the liquidity of the Notes may be affected by present uncertainties and future unfavorable developments concerning legal investment. Consequently, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. See "*Risk Factors — Investment Factors and Risks Related to the Notes — The Notes Issuance is a Novel Transaction That May Result in Limited Liquidity of the Notes, Which may Limit Investors' Ability to Sell the Notes*".

Selling Restrictions

The Notes may be offered and sold outside of the United States, within the United States or simultaneously outside of and within the United States, only where it is legal to make such offers and sales.

The Dealers have represented and agreed that they have complied and will comply with all applicable laws and regulations in each jurisdiction in which or from which they may purchase, offer, sell or deliver any Notes or distribute this Prospectus or any other offering material. The Dealers also have agreed to comply with the selling restrictions relating to the jurisdictions set forth in Appendix D.

Each purchaser of a Note, in making its purchase, will be deemed to have acknowledged, represented and agreed as follows:

(1) Such purchaser (i) is a Qualified Institutional Buyer and (ii) is purchasing for its own account (and not for the account of others) or as a fiduciary or agent for others (which others also are Qualified Institutional Buyers). Such purchaser is aware that it (or any account for which it is purchasing) may be required to bear the economic risk of an investment in the Notes for an indefinite period, and it (or such account) is able to bear such risk for an indefinite period.

(2) No sale, pledge or other transfer of any Note may be made by any person unless (i) such sale, pledge or other transfer is made to the Issuer or (ii) such sale, pledge or other transfer is made to a person whom the seller reasonably believes after due inquiry is a Qualified Institutional Buyer acting for its own account (and not for the account of others) or as a fiduciary or agent for others (which others also are Qualified Institutional Buyers) to whom notice is given that the sale, pledge or transfer of the Note is restricted to Qualified Institutional Buyers.

(3) The Notes will bear the following legends (and such legends will satisfy the notice requirement referred to in (2)(ii) above), unless the Issuer determines otherwise in accordance with applicable law:

BY ITS ACCEPTANCE OF THIS NOTE THE HOLDER OF THIS NOTE IS DEEMED TO REPRESENT THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS SUCH TERM IS DEFINED IN THE DEBT AGREEMENT, DATED JANUARY 27, 2014) AND IS ACQUIRING SUCH NOTE FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS RESTRICTED TO QUALIFIED INSTITUTIONAL BUYERS.

NO SALE, PLEDGE OR OTHER TRANSFER OF THIS NOTE MAY BE MADE BY ANY PERSON UNLESS (I) SUCH SALE, PLEDGE OR OTHER TRANSFER IS MADE TO THE ISSUER OR (II) SUCH SALE, PLEDGE OR OTHER TRANSFER IS MADE TO A PERSON WHOM THE TRANSFEROR REASONABLY BELIEVES AFTER DUE INQUIRY IS A QUALIFIED INSTITUTIONAL BUYER ACTING FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE SALE, PLEDGE OR TRANSFER IS RESTRICTED TO QUALIFIED INSTITUTIONAL BUYERS. ANY ATTEMPTED TRANSFER IN CONTRAVENTION OF THE IMMEDIATELY PRECEDING RESTRICTIONS WILL BE VOID AB INITIO AND THE PURPORTED TRANSFEROR WILL CONTINUE TO BE TREATED AS THE OWNER OF THE NOTES FOR ALL PURPOSES.

"Qualified Institutional Buyer" means:

(i) Any of the following entities, acting for its own account or the accounts of other Qualified Institutional Buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the entity:

(A) Any *insurance company* as defined in section 2(13) of the Securities Act;

Note: A purchase by an insurance company for one or more of its separate accounts, as defined by section 2(a)(37) of the Investment Company Act, which are neither registered under section 8 of the Investment Company Act nor required to be so registered, shall be deemed to be a purchase for the account of such insurance company.

(B) Any *investment company* registered under the Investment Company Act or any *business development company* as defined in section 2(a)(48) of the Investment Company Act;

(C) Any *Small Business Investment Company* licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;

(D) Any *plan* established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees;

(E) Any *employee benefit plan* within the meaning of Title I of ERISA;

(F) Any trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in sub-clauses (D) or (E) above, except trust funds that include as participants individual retirement accounts or H.R. 10 plans.

(G) Any *business development company* as defined in section 202(a)(22) of the Investment Advisers Act;

(H) Any organization described in section 501(c)(3) of the Code, corporation (other than a bank as defined in section 3(a)(2) of the Securities Act or a savings and loan association or other institution referenced in section 3(a)(5)(A) of the Securities Act or a foreign bank or savings and loan association or equivalent institution), partnership, or Massachusetts or similar business trust; and

(I) Any *investment adviser* registered under the Investment Advisers Act.

(ii) Any *dealer* registered pursuant to section 15 of the Exchange Act, acting for its own account or the accounts of other Qualified Institutional Buyers, that in the aggregate owns and invests on a discretionary basis at least \$10 million of securities of issuers that are not affiliated with the dealer, *Provided*, That securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer;

(iii) Any *dealer* registered pursuant to section 15 of the Exchange Act acting in a riskless principal transaction on behalf of a Qualified Institutional Buyer;

Note: A registered dealer may act as agent, on a non-discretionary basis, in a transaction with a Qualified Institutional Buyer without itself having to be a Qualified Institutional Buyer.

(iv) Any investment company registered under the Investment Company Act, acting for its own account or for the accounts of other Qualified Institutional Buyers, that is part of a family of investment companies which own in the aggregate at least \$100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies. *Family of investment companies* means any two or more investment companies registered under the Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trusts, the same depositor), provided that, for purposes of this sub-clause:

(A) Each series of a series company (as defined in Rule 18f-2 under the Investment Company Act) shall be deemed to be a separate investment company; and

(B) Investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor);

(v) Any entity, all of the equity owners of which are Qualified Institutional Buyers, acting for its own account or the accounts of other Qualified Institutional Buyers; and

(vi) Any *bank* as defined in section 3(a)(2) of the Securities Act, any savings and loan association or other institution as referenced in section 3(a)(5)(A) of the Securities Act, or any foreign bank or savings and loan association or equivalent institution, acting for its own account or the accounts of other Qualified Institutional Buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least \$25 million as demonstrated in its latest annual financial statements, as of a date not more than 16 months preceding the date of sale under the Rule in the case of a U.S. bank or savings and loan association, and not more than 18 months preceding such date of sale for a foreign bank or savings and loan association or equivalent institution.

"Investment Advisers Act" means the Investment Advisers Act of 1940, as amended.

RATINGS OF THE CLASS M-1 NOTES

We have engaged Fitch and Moody's to rate the Class M-1 Notes on the Closing Date. It is expected that the Class M-1 Notes will receive ratings of at least BBB-sf from Fitch and at least Baa2 (sf) from Moody's. We have not engaged any NRSRO to rate the Class M-2 Notes on the Closing Date and we have no obligation to do so in the future.

The ratings of the Class M-1 Notes will address the likelihood of the payment of principal and interest on the Class M-1 Notes according to its terms. Each engaged NRSRO will monitor its rating using its normal surveillance procedures and, in its discretion, may change, qualify or withdraw the assigned rating at any time. No transaction party will be responsible for monitoring any changes to the ratings on the Class M-1 Notes. The ratings of the Class M-1 Notes should be evaluated independently from similar ratings on other types of securities. The ratings are not a recommendation to buy, sell or hold the Class M-1 Notes and may be subject to revision or withdrawal at any time by the engaged NRSROs.

In addition, these ratings do not address: (i) the likelihood, timing, or frequency of prepayments (both voluntary and involuntary) on the Reference Obligations and their impact on interest payments or the degree to which such prepayments might differ from those originally anticipated, (ii) the possibility that a Noteholder might suffer a lower than anticipated yield, (iii) the tax treatment of the Class M-1 Notes or the effect of taxes on the payments received, (iv) the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce, or hold enforceable, the documents in whole or in part, (v) an assessment of the yield to maturity that investors may experience, or (vi) other non-credit risks, including, without limitation, market risks or liquidity.

The ratings take into consideration certain credit risks with respect to the Reference Obligations. However, as noted above, the ratings do not represent an assessment of the likelihood, timing or frequency of principal prepayments (both voluntary and involuntary) on the Reference Obligations, or the degree to which such prepayments might differ from those originally anticipated. In general, the ratings address credit risk and not prepayment risk.

Other NRSROs that we have not engaged to rate the Class M-1 Notes may issue unsolicited credit ratings on one or more classes of the Notes, relying on information they receive pursuant to Rule 17g-5 or otherwise. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from the ratings assigned by the engaged NRSROs, and if lower than the engaged NRSROs' ratings, whether such unsolicited ratings will have an adverse impact on the liquidity, market value and regulatory characteristics of such Notes. Further, a determination by the SEC that either or both of the engaged NRSROs no longer qualifies as an NRSRO or is no longer qualified to rate the Class M-1 Notes, could adversely impact the liquidity, market value and regulatory characteristics of the Class M-1 Notes.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time for any reason. No person or entity will be obligated to provide any additional credit enhancement with respect to the Class M-1 Notes. Any withdrawal of the ratings may have an adverse effect on the liquidity and market price of the Class M-1 Notes. The ratings assigned to the Class M-1 Notes address the likelihood of receipt by the Holders of the Class M-1 Notes of all distributions to which such Holders are entitled by the Maturity Date. The ratings assigned to the Class M-1 Notes do not represent any assessment of the likelihood that principal prepayments might differ from those originally anticipated or address the possibility that Holders of the Class M-1 Notes might suffer a lower than anticipated yield. We cannot assure you that an engaged NRSRO will not lower or withdraw its rating.

See "*Risk Factors—Investment Factors and Risks Related to the Notes—A Reduction, Withdrawal or Qualification of the Ratings on the Class M-1 Notes, or the Issuance of an Unsolicited Rating On the Class M-1 Notes, May Adversely Affect the Market Value of Those Notes and/or Limit an Investor's Ability to Resell Those Notes,*" and "*—The Ratings on the Class M-1 Notes May Not Reflect All Risks*" in this Prospectus.

LEGAL MATTERS

Fannie Mae's General Counsel or one of its Deputy General Counsels will render an opinion on the legality of the Notes. Certain matters with respect to the Notes will be passed upon for the Issuer by Katten Muchin Rosenman LLP. Certain tax matters with respect to the Notes will be passed upon for the Issuer by Hunton & Williams LLP.

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Appendix A

The Reference Pool as of Cut-off Date of November 30, 2013

Product Type of the Reference Obligations

Product Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Fixed Rate.....	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Original Principal Balances of the Reference Obligations at Origination

Range of Original Principal Balances (\$)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
0.01 to 25,000.00.....	40	834,890	0.00	20,872	4.195	747	76.80	76.80
25,000.01 to 50,000.00.....	1,153	47,612,516	0.16	41,294	4.066	748	76.07	76.18
50,000.01 to 75,000.00.....	4,270	268,646,664	0.92	62,915	3.942	752	75.72	75.95
75,000.01 to 100,000.00.....	8,173	713,526,677	2.43	87,303	3.830	755	75.08	75.32
100,000.01 to 125,000.00.....	9,622	1,060,840,523	3.62	110,252	3.758	758	75.41	75.85
125,000.01 to 150,000.00.....	10,102	1,360,837,361	4.64	134,710	3.704	760	75.41	75.89
150,000.01 to 200,000.00.....	19,859	3,407,890,380	11.63	171,604	3.658	763	75.18	75.72
200,000.01 to 250,000.00.....	16,588	3,648,294,926	12.45	219,936	3.632	765	74.97	75.58
250,000.01 to 300,000.00.....	14,840	3,987,194,522	13.60	268,679	3.607	765	75.06	75.71
300,000.01 to 350,000.00.....	11,021	3,496,613,986	11.93	317,268	3.589	765	75.08	75.77
350,000.01 to 400,000.00.....	10,719	3,955,353,938	13.50	369,004	3.564	767	74.33	75.53
400,000.01 to 450,000.00.....	8,488	3,440,987,351	11.74	405,394	3.580	764	72.56	75.21
450,000.01 to 500,000.00.....	2,311	1,074,779,915	3.67	465,071	3.732	771	74.21	75.30
500,000.01 to 550,000.00.....	2,093	1,072,534,605	3.66	512,439	3.721	771	74.11	75.13
550,000.01 to 600,000.00.....	1,516	854,048,487	2.91	563,357	3.715	772	74.08	75.10
600,000.01 to 650,000.00.....	1,409	854,729,243	2.92	606,621	3.690	770	72.47	74.65
650,000.01 to 700,000.00.....	26	17,106,660	0.06	657,948	3.939	780	71.17	71.17
700,000.01 to 750,000.00.....	22	15,724,816	0.05	714,764	3.900	773	71.80	72.03
750,000.01 to 800,000.00.....	21	16,071,222	0.05	765,296	3.929	767	69.32	69.32
800,000.01 to 850,000.00.....	12	9,515,819	0.03	792,985	3.971	765	70.26	70.26
850,000.01 to 900,000.00.....	3	2,560,970	0.01	853,657	4.042	773	68.09	68.09
900,000.01 and greater.....	3	3,013,419	0.01	1,004,473	4.031	793	64.68	65.45
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The average principal balance of the Reference Obligations at origination was \$245,811.41.

**Principal Balances of the Reference Obligations as
of the Cut-off Date**

Range of Principal Balances as of the Cut-off Date (\$)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
0.01 to 25,000.00.....	83	1,547,564	0.01	18,645	4.021	766	76.74	76.74
25,000.01 to 50,000.00.....	1,300	54,002,860	0.18	41,541	4.042	750	76.08	76.19
50,000.01 to 75,000.00.....	4,617	295,657,053	1.01	64,037	3.927	753	75.74	75.97
75,000.01 to 100,000.00.....	8,556	760,651,070	2.60	88,903	3.824	756	75.06	75.30
100,000.01 to 125,000.00.....	9,841	1,107,172,384	3.78	112,506	3.749	758	75.45	75.89
125,000.01 to 150,000.00.....	10,335	1,420,636,821	4.85	137,459	3.699	760	75.42	75.91
150,000.01 to 200,000.00.....	20,020	3,506,025,693	11.96	175,126	3.657	763	75.13	75.68
200,000.01 to 250,000.00.....	16,768	3,767,393,558	12.85	224,678	3.629	765	75.01	75.63
250,000.01 to 300,000.00.....	14,614	4,006,260,960	13.67	274,139	3.605	765	75.04	75.67
300,000.01 to 350,000.00.....	11,103	3,601,050,544	12.29	324,331	3.586	765	75.06	75.76
350,000.01 to 400,000.00.....	11,226	4,238,061,193	14.46	377,522	3.562	767	73.93	75.37
400,000.01 to 450,000.00.....	6,797	2,798,255,072	9.55	411,690	3.596	764	72.66	75.36
450,000.01 to 500,000.00.....	2,510	1,193,267,827	4.07	475,406	3.729	771	74.13	75.33
500,000.01 to 550,000.00.....	1,882	986,675,846	3.37	524,270	3.721	770	74.21	75.08
550,000.01 to 600,000.00.....	1,423	818,243,001	2.79	575,013	3.709	772	73.84	74.89
600,000.01 to 650,000.00.....	1,134	692,916,784	2.36	611,038	3.693	770	72.22	74.63
650,000.01 to 700,000.00.....	24	16,090,687	0.05	670,445	3.915	775	71.00	71.00
700,000.01 to 750,000.00.....	24	17,361,306	0.06	723,388	3.945	768	71.09	71.29
750,000.01 to 800,000.00.....	25	19,439,911	0.07	777,596	3.923	771	69.74	69.74
800,000.01 to 850,000.00.....	5	4,121,236	0.01	824,247	4.026	768	68.73	68.73
850,000.01 to 900,000.00.....	1	874,102	0.00	874,102	4.000	791	75.00	75.00
900,000.01 and greater.....	3	3,013,419	0.01	1,004,473	4.031	793	64.68	65.45
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The average principal balance of the Reference Obligations as of the Cut-off Date was \$239,663.74.

Gross Mortgage Rates of the Reference Obligations at Origination

Range of Gross Mortgage Rates (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
2.251 to 2.500	4	693,946	0.00	173,487	2.500	788	76.98	76.98
2.501 to 2.750	11	2,247,990	0.01	204,363	2.716	789	74.00	74.00
2.751 to 3.000	613	132,803,842	0.45	216,646	2.987	775	74.35	74.98
3.001 to 3.250	10,567	2,554,384,357	8.72	241,732	3.224	776	74.12	74.90
3.251 to 3.500	42,234	\$10,890,049,042	37.16	257,850	3.454	772	74.30	75.26
3.501 to 3.750	34,013	8,534,959,395	29.12	250,932	3.674	765	74.76	75.88
3.751 to 4.000	22,058	4,998,455,183	17.05	226,605	3.928	755	74.64	75.76
4.001 to 4.250	7,689	1,453,098,048	4.96	188,984	4.172	738	74.88	75.74
4.251 to 4.500	3,400	520,882,669	1.78	153,201	4.427	730	75.03	75.50
4.501 to 4.750	1,115	156,014,006	0.53	139,923	4.665	721	75.25	75.70
4.751 to 5.000	432	51,210,427	0.17	118,543	4.908	718	75.75	75.97
5.001 to 5.250	111	10,292,631	0.04	92,726	5.179	705	76.33	76.33
5.251 to 5.500	30	2,751,364	0.01	91,712	5.424	727	76.74	76.74
5.501 to 5.750	14	875,988	0.00	62,571	5.656	711	76.67	76.67
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average gross mortgage rate of the Reference Obligations as of the Cut-off Date was approximately 3.639%.

Age of the Reference Obligations as of the Cut-off Date

Reference Obligation Age (months)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
10	8,848	2,087,670,132	7.12	235,948	3.516	764	74.23	75.29
11	30,789	7,478,590,206	25.52	242,898	3.555	765	74.39	75.39
12	42,123	10,217,981,236	34.86	242,575	3.622	766	74.48	75.48
13	29,194	6,926,119,313	23.63	237,245	3.741	764	74.70	75.66
14	10,080	2,323,161,776	7.93	230,472	3.767	763	74.86	75.87
15	1,099	236,373,528	0.81	215,081	3.869	762	75.15	76.21
16	158	38,822,699	0.13	245,713	3.956	761	75.73	76.84
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average loan age of the Reference Obligations as of the Cut-off Date was approximately 12 months.

Loan-to-Value Ratio of the Reference Obligations at Origination

Range of Original Loan-to-Value Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
60.01 to 65.00	11,560	3,008,138,127	10.26	260,220	3.605	770	63.30	65.43
65.01 to 70.00	17,744	4,514,115,590	15.40	254,402	3.634	765	68.34	69.87
70.01 to 75.00	31,473	7,649,829,990	26.10	243,060	3.660	767	73.74	74.65
75.01 to 80.00	61,514	14,136,635,184	48.23	229,812	3.637	763	79.32	79.96
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average loan loan-to-value ratio of the Reference Obligations at origination was approximately 74.53%.

Combined Loan-to-Value Ratio of the Reference Obligations at Origination

Range of Original Combined Loan-to-Value Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
60.01 to 65.00	10,202	2,545,574,810	8.69	249,517	3.606	771	63.29	63.31
65.01 to 70.00	16,376	4,044,270,798	13.80	246,963	3.636	766	68.22	68.37
70.01 to 75.00	30,209	7,253,294,235	24.75	240,104	3.661	767	73.48	73.75
75.01 to 80.00	59,646	13,759,867,328	46.95	230,692	3.631	763	78.91	79.31
80.01 to 90.00	4,787	1,437,547,166	4.90	300,302	3.670	758	75.21	86.67
90.00 to 100.00	1,071	268,164,553	0.91	250,387	3.677	751	76.10	93.91
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average combined loan-to-value ratio of the Reference Obligations at origination was approximately 75.53%.

Credit Score at Origination

Range of Credit Scores at Origination	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Original Combined Loan-to-Value Ratio (%)
601 to 620	18	2,946,620	0.01	163,701	4.198	620	75.33	77.53
621 to 640	657	116,151,848	0.40	176,791	4.085	631	74.91	75.64
641 to 660	1,577	284,858,268	0.97	180,633	4.057	651	74.82	75.68
661 to 680	3,256	618,395,253	2.11	189,925	3.978	671	75.21	76.03
681 to 700	5,541	1,134,197,676	3.87	204,692	3.850	691	75.10	76.17
701 to 720	8,356	1,861,988,199	6.35	222,832	3.749	711	75.24	76.52
721 to 740	11,131	2,625,782,360	8.96	235,898	3.666	731	74.96	76.40
741 to 760	16,104	3,949,020,169	13.47	245,220	3.621	751	74.81	76.11
761 to 780	24,669	6,222,643,527	21.23	252,245	3.607	771	74.51	75.62
781 to 800	32,441	8,256,386,940	28.17	254,505	3.591	791	74.26	75.10
801 to 820	18,214	4,172,926,610	14.24	229,105	3.585	807	73.97	74.45
821 to 840	327	63,421,420	0.22	193,949	3.601	824	73.04	73.30
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average credit score of the Reference Obligations at origination was approximately 765.

Debt-to-Income Ratio of the Reference Obligations at Origination

Range of Debt-to-Income Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Original Combined Loan-to-Value Ratio (%)
0.001 to 20.000.....	17,262	3,862,119,737	13.18	223,735	3.581	776	74.10	74.81
20.001 to 25.000.....	16,821	4,064,247,881	13.87	241,617	3.594	772	74.52	75.46
25.001 to 30.000.....	19,508	4,763,395,838	16.25	244,177	3.614	768	74.56	75.68
30.001 to 35.000.....	20,061	4,936,816,393	16.84	246,090	3.641	764	74.68	75.80
35.001 to 40.000.....	20,232	4,915,602,415	16.77	242,962	3.670	760	74.70	75.83
40.001 to 45.000.....	22,751	5,464,155,196	18.64	240,172	3.691	754	74.74	75.87
45.001 to 50.000.....	5,656	1,302,381,431	4.44	230,265	3.704	760	73.53	73.70
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The non-zero weighted average debt-to-income ratio of the Reference Obligations at origination was approximately 31.53%.

Occupancy Type of the Reference Obligations

Occupancy Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Original Combined Loan-to-Value Ratio (%)
Owner-Occupied	101,163	25,501,359,598	87.01	252,082	3.602	764	74.66	75.79
Investment Property	14,925	2,559,660,948	8.73	171,502	4.022	767	72.77	72.80
Second Home	6,203	1,247,698,344	4.26	201,144	3.607	771	75.53	75.83
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Loan Purpose of the Reference Obligations

Loan Purpose	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
No Cash-out Refinance	56,967	15,458,769,892	52.74	271,364	3.617	769	73.30	74.62
Purchase.....	43,492	9,210,199,736	31.42	211,768	3.644	762	77.11	77.86
Cash-out Refinance.....	21,832	4,639,749,262	15.83	212,521	3.704	755	73.51	73.92
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Property Type of the Reference Obligations

Property Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
1-4 Family Dwelling Unit	78,051	18,320,551,493	62.51	234,725	3.640	763	74.38	75.39
PUD	31,145	7,992,069,399	27.27	256,608	3.614	767	74.89	76.06
Condo.....	12,282	2,843,971,986	9.70	231,556	3.698	769	74.40	74.92
Co-op	493	117,565,968	0.40	238,471	3.752	766	74.96	74.98
Manufactured Housing.....	320	34,560,043	0.12	108,000	3.817	755	76.15	76.88
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Geographic Concentration of the Mortgaged Properties (State or Territory)

State or Territory	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
California	27,027	8,795,706,698	30.01	325,441	3.673	768	73.37	74.14
Texas	7,713	1,548,754,450	5.28	200,798	3.659	756	75.84	77.02
Colorado	4,804	1,146,493,267	3.91	238,654	3.632	768	74.70	76.33
Washington	4,371	1,132,744,737	3.86	259,150	3.650	767	74.64	75.69
Virginia	3,695	1,098,376,501	3.75	297,260	3.639	769	74.16	75.25
Illinois	5,141	1,069,466,730	3.65	208,027	3.551	765	74.79	76.34
Massachusetts	3,810	1,062,458,599	3.63	278,861	3.616	764	73.66	74.93
New York	2,986	836,248,662	2.85	280,056	3.727	758	74.73	75.24
New Jersey	2,745	795,093,383	2.71	289,652	3.666	761	74.70	75.33
Florida	4,381	793,774,976	2.71	181,186	3.693	759	75.57	75.94
Wisconsin	4,026	724,118,153	2.47	179,860	3.481	768	75.01	76.28
Pennsylvania	3,431	704,857,458	2.40	205,438	3.610	761	75.33	76.65
Maryland	2,224	649,524,133	2.22	292,052	3.622	765	74.27	75.61
Arizona	3,377	648,323,877	2.21	191,982	3.690	766	75.08	75.55
Michigan	3,373	593,209,464	2.02	175,870	3.662	766	75.90	76.71
North Carolina	2,496	524,043,147	1.79	209,953	3.623	767	75.05	76.35
Oregon	2,338	514,587,543	1.76	220,097	3.646	769	74.81	75.68
Minnesota	2,384	493,685,232	1.68	207,083	3.538	767	75.76	77.54
Ohio	2,746	452,805,727	1.54	164,896	3.645	762	75.74	76.87
Georgia	2,026	421,034,245	1.44	207,816	3.606	767	75.28	76.46
Utah	1,896	402,044,776	1.37	212,049	3.581	764	75.30	76.11
Missouri	2,096	368,058,739	1.26	175,601	3.544	763	75.11	76.25
Indiana	2,025	340,625,113	1.16	168,210	3.666	763	75.48	76.72
Tennessee	1,756	330,240,549	1.13	188,064	3.624	763	75.45	76.68
Hawaii	810	304,871,685	1.04	376,385	3.565	766	73.66	74.59
Iowa	1,694	282,594,322	0.96	166,821	3.477	764	76.00	78.02
Connecticut	1,081	276,681,680	0.94	255,950	3.643	760	74.52	75.40
South Carolina	1,174	226,805,768	0.77	193,191	3.657	763	75.12	76.39
Louisiana	1,157	223,298,350	0.76	192,998	3.613	750	75.34	76.17
Alabama	1,167	219,843,170	0.75	188,383	3.590	758	75.56	76.97
Kentucky	1,052	182,700,619	0.62	173,670	3.635	759	75.79	77.56
Oklahoma	1,026	175,398,134	0.60	170,953	3.603	753	75.91	77.00
Nevada	1,036	174,612,015	0.60	168,544	3.752	763	76.34	76.55
District Of Columbia	448	169,294,272	0.58	377,889	3.686	767	73.38	74.48
Nebraska	914	149,677,437	0.51	163,761	3.620	762	75.67	76.91
Montana	682	130,164,405	0.44	190,857	3.528	762	75.60	76.37
New Mexico	685	129,144,146	0.44	188,532	3.634	764	75.27	76.33
Idaho	741	122,589,492	0.42	165,438	3.595	765	75.34	76.13
Arkansas	698	117,280,727	0.40	168,024	3.577	756	76.17	76.96
Kansas	623	111,830,186	0.38	179,503	3.609	764	75.53	76.47
New Hampshire	501	104,407,134	0.36	208,397	3.675	762	75.29	76.22
Mississippi	550	100,322,721	0.34	182,405	3.608	750	75.76	77.35
Delaware	379	83,691,063	0.29	220,821	3.620	767	74.88	75.43
South Dakota	483	82,842,697	0.28	171,517	3.503	760	76.03	77.38
Alaska	347	82,078,145	0.28	236,536	3.508	756	75.36	75.54
Rhode Island	379	79,404,218	0.27	209,510	3.680	760	74.57	75.89
Wyoming	342	68,819,329	0.23	201,226	3.541	758	75.58	76.41
North Dakota	330	62,541,036	0.21	189,518	3.544	754	75.43	77.23
Vermont	270	57,579,408	0.20	213,257	3.635	761	75.02	75.74
Maine	288	57,350,742	0.20	199,135	3.664	761	75.22	75.78
Puerto Rico	330	46,513,897	0.16	140,951	3.574	738	75.64	75.64
West Virginia	212	32,033,891	0.11	151,103	3.643	757	74.46	75.01
Virgin Islands	18	6,656,969	0.02	369,832	3.909	743	74.11	74.11
Guam	7	1,415,071	0.00	202,153	3.461	759	77.26	77.26
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Geographic Concentration of the Mortgaged Properties (Top 10 Metropolitan Statistical Areas ("MSA"))

Top 10 MSA's	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Los Angeles-Long Beach Santa Ana, CA	9,623	3,321,109,641	11.33	345,122	3.666	767	73.40	74.10
Non-Metro	12,061	2,107,543,965	7.19	174,740	3.601	760	75.31	76.04
San Francisco-Oakland-Fremont, CA	4,557	1,773,582,127	6.05	389,200	3.688	771	72.63	73.74
New York-Northern New Jersey-Long Island, NY-NJ-PA	4,257	1,348,372,007	4.60	316,742	3.699	760	74.54	75.06
Washington-Arlington-Alexandria, DC-VA-MD-WV	3,836	1,316,638,451	4.49	343,232	3.627	769	73.96	75.16
San Diego-Carlsbad-San Marcos, CA	2,795	901,971,836	3.08	322,709	3.662	769	73.79	74.36
San Jose-Sunnyvale-Santa Clara, CA	2,239	900,727,229	3.07	402,290	3.644	771	72.35	73.21
Boston-Cambridge-Quincy, MA-NH	3,049	886,392,916	3.02	290,716	3.630	765	73.55	74.86
Chicago-Naperville-Joliet, IL-IN-WI	3,653	850,257,056	2.90	232,756	3.603	766	74.39	75.97
Seattle-Tacoma-Bellevue, WA	2,803	819,601,172	2.80	292,401	3.649	768	74.56	75.81
Other	73,418	15,082,522,490	51.46	205,434	3.629	764	75.18	76.26
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Geographic Concentration of the Mortgaged Properties (Top 10 Five-Digit Zip Codes)

Top 10 Five-Digit Zip Codes	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
94582	127	62,680,339	0.21	493,546	3.620	772	72.64	74.18
94568	133	55,320,450	0.19	415,943	3.620	772	73.85	74.98
90278	114	53,087,985	0.18	465,684	3.700	772	72.09	72.95
92127	122	48,398,171	0.17	396,706	3.615	771	73.63	74.38
92677	122	47,370,218	0.16	388,280	3.657	766	72.02	73.00
95124	101	46,959,566	0.16	464,946	3.623	772	72.98	74.14
94536	114	44,355,579	0.15	389,084	3.619	767	72.89	73.52
95125	95	44,277,087	0.15	466,075	3.696	772	71.39	73.84
95123	119	43,547,273	0.15	365,943	3.633	767	73.09	73.60
92129	114	43,183,266	0.15	378,801	3.593	769	73.87	74.80
Other	121,130	28,819,538,957	98.33	237,922	3.639	765	74.56	75.55
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Term to Maturity of the Reference Obligations at Origination

Original Term to Maturity (months)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
301 to 342	397	90,758,985	0.31	228,612	3.681	771	73.77	75.08
343 to 348	85	20,499,068	0.07	241,166	3.690	765	74.84	75.37
349 to 354	15	3,451,124	0.01	230,075	3.360	762	74.99	77.85
355 to 360	121,794	29,194,009,713	99.61	239,700	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average term to maturity of the Reference Obligations at origination was approximately 360 months.

Remaining Term to Maturity of the Reference Obligations as of the Cut-off Date

Remaining Term to Maturity (months)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
241 to 300	31	7,606,667	0.03	245,376	3.741	778	74.73	76.64
301 to 360	122,260	29,301,112,223	99.97	239,662	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

The weighted average remaining term to maturity of the Reference Obligations as of the Cut-off Date was approximately 348 months.

Seller of the Reference Obligations

Seller	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Wells Fargo Bank, N.A.	19,206	4,893,555,883	16.70	254,793	3.691	768	74.81	75.61
Flagstar Capital Markets Corporation	7,204	1,987,859,566	6.78	275,938	3.591	765	73.80	74.68
Pennymac Corp.	4,932	1,361,292,316	4.64	276,012	3.614	767	74.58	75.50
JPMorgan Chase Bank, National Association	5,113	1,330,501,803	4.54	260,219	3.689	767	74.56	76.06
Quicken Loans Inc.	3,749	945,249,345	3.23	252,134	3.830	763	73.52	74.42
Stearns Lending, Inc.	2,212	562,787,709	1.92	254,425	3.672	762	73.90	74.57
Ally Bank	2,273	521,353,907	1.78	229,368	3.830	753	74.39	75.39
Franklin American Mortgage Company	2,212	459,727,441	1.57	207,833	3.651	758	75.42	76.55
PHH Mortgage Corporation	2,116	445,672,317	1.52	210,620	3.765	763	74.90	75.83
Provident Funding Associates, L.P.	1,545	435,043,902	1.48	281,582	3.347	777	73.11	73.94
Other	71,729	16,365,674,702	55.84	228,160	3.614	764	74.61	75.67
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Servicer of the Reference Obligations

Servicer	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Wells Fargo Bank, N.A.	20,864	5,247,373,062	17.90	251,504	3.692	767	74.86	75.66
JP Morgan Chase Bank	6,534	1,655,994,142	5.65	253,443	3.690	766	74.64	76.10
Pennymac Corp.	4,932	1,361,292,316	4.64	276,012	3.614	767	74.58	75.50
Flagstar Bank, FSB	4,129	1,140,419,959	3.89	276,198	3.644	765	73.74	74.63
Quicken Loans Inc.	3,756	947,942,519	3.23	252,381	3.833	763	73.52	74.42
Caliber Home Loans, Inc..	2,756	785,683,474	2.68	285,081	3.518	766	73.69	74.50
PNC Bank, N.A.	3,078	672,471,217	2.29	218,477	3.672	763	75.57	76.67
Stearns Lending, Inc.	2,288	577,119,473	1.97	252,238	3.672	762	73.94	74.63
Ocwen Loan Servicing, LLC.....	2,266	518,660,733	1.77	228,888	3.825	754	74.40	75.40
Provident Funding Associates, L.P.	1,712	497,446,794	1.70	290,565	3.347	778	72.99	73.72
Other	69,976	15,904,315,202	54.26	227,282	3.613	764	74.59	75.65
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Origination Channel of the Reference Obligations

Origination Channel	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Retail.....	61,622	13,789,678,903	47.05	223,779	3.660	764	74.68	75.71
Correspondent	41,757	10,336,989,681	35.27	247,551	3.625	765	74.73	75.81
Broker	18,912	5,182,050,306	17.68	274,009	3.614	767	73.72	74.49
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Lien Position of the Reference Obligations at Origination

Lien Position	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
First Lien	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Reference Obligations with Subordinate Financing at Origination

Reference Obligations with Subordinate Financing at Origination	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
No	113,310	26,534,804,798	90.54	234,179	3.639	765	74.73	74.73
Yes	8,981	2,773,914,092	9.46	308,865	3.643	760	72.56	83.11
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

First Payment Date of the Reference Obligations

First Payment Date	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
August 2012.....	158	38,822,699	0.13	245,713	3.956	761	75.73	76.84
September 2012.....	1,099	236,373,528	0.81	215,081	3.869	762	75.15	76.21
October 2012.....	10,080	2,323,161,776	7.93	230,472	3.767	763	74.86	75.87
November 2012.....	29,194	6,926,119,313	23.63	237,245	3.741	764	74.70	75.66
December 2012.....	42,123	10,217,981,236	34.86	242,575	3.622	766	74.48	75.48
January 2013.....	30,789	7,478,590,206	25.52	242,898	3.555	765	74.39	75.39
February 2013.....	8,848	2,087,670,132	7.12	235,948	3.516	764	74.23	75.29
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Maturity Year of the Reference Obligations

Maturity Year	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
2038.....	41	10,085,648	0.03	245,991	3.708	780	74.05	75.97
2039.....	151	33,462,121	0.11	221,603	3.757	765	72.58	73.99
2040.....	168	39,349,675	0.13	234,224	3.669	772	74.57	75.58
2041.....	119	27,354,467	0.09	229,869	3.606	768	74.65	75.49
2042.....	113,013	27,121,008,003	92.54	239,981	3.648	765	74.55	75.55
2043.....	8,799	2,077,458,976	7.09	236,102	3.516	764	74.22	75.28
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

First Time Homebuyer

First Time Homebuyer	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
No.....	109,886	26,598,799,855	90.75	242,058	3.641	766	74.20	75.23
Yes.....	12,405	2,709,919,035	9.25	218,454	3.618	754	77.77	78.43
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Number of Borrowers

Number of Borrowers	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
1.....	54,631	11,961,293,722	40.81	218,947	3.657	765	74.81	75.56
2 or more.....	67,660	17,347,425,167	59.19	256,391	3.627	765	74.34	75.51
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Number of Units

Number of Units	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
1	119,041	28,482,001,614	97.18	239,262	3.629	765	74.60	75.63
2	2,158	502,090,728	1.71	232,665	3.952	761	72.52	72.64
3	494	143,432,938	0.49	290,350	4.032	764	70.87	70.93
4	598	181,193,611	0.62	302,999	4.057	765	71.07	71.12
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Mortgage Insurance

Mortgage Insurance	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
None.....	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Delinquency Status of the Reference Obligations

Delinquency Status	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Current.....	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Historical Delinquency of the Reference Obligations

Historical Delinquency	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Original Credit Score	Weighted Average Original Loan-to-Value Ratio (%)	Weighted Average Original Combined Loan-to-Value Ratio (%)
Never Delinquent	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53
Total/Weighted Average:	122,291	29,308,718,890	100.00	239,664	3.639	765	74.53	75.53

Appendix B

Diligence Provider's Data Integrity Review Discrepancies

Record Type	Loan File Data	Diligence Provider Data
Combined Loan to Value	88.00%	89.70%
Combined Loan to Value	80.00%	83.99%
Combined Loan to Value	76.00%	78.32%
Combined Loan to Value	65.00%	75.56%
DTI (Back)	39.86%	27.75%
DTI (Back)	39.76%	28.20%
DTI (Back)	47.82%	36.39%
DTI (Back)	38.87%	30.52%
DTI (Back)	26.80%	18.90%
DTI (Back)	46.45%	38.92%
DTI (Back)	33.59%	26.26%
DTI (Back)	38.83%	33.07%
DTI (Back)	15.57%	20.60%
DTI (Back)	26.76%	32.06%
DTI (Back)	33.75%	39.45%
DTI (Back)	16.33%	22.16%
DTI (Back)	28.34%	34.75%
DTI (Back)	36.36%	42.80%
DTI (Back)	23.59%	31.94%
DTI (Back)	34.64%	43.78%
DTI (Back)	28.89%	39.13%
DTI (Back)	30.25%	40.68%
DTI (Back)	18.35%	30.30%
DTI (Back)	41.45%	54.26%
DTI (Back)	5.20%	18.60%
DTI (Back)	30.70%	45.06%
DTI (Back)	16.00%	30.82%
DTI (Back)	19.27%	34.33%
DTI (Back)	21.18%	37.86%
DTI (Back)	32.48%	49.95%
DTI (Back)	33.14%	79.58%
DTI (Back)	18.85%	703.09%
First payment Date	12/1/2012	11/1/2012
First Time Home Buyer	Yes	No
First Time Home Buyer	Yes	No
First Time Home Buyer	Yes	No
First Time Home Buyer	No	Yes
First Time Home Buyer	No	Yes
First Time Home Buyer	No	Yes
First Time Home Buyer	No	Yes
First Time Home Buyer	No	Yes
First Time Home Buyer	No	Yes
Loan Purpose	Cashout Refi	Rate and Term Refi
Loan to Value	65.00%	75.56%
Maturity Date	11/1/2042	10/1/2042
Origination Channel	Broker	Correspondent
Origination Channel	Retail	Correspondent
Origination Channel	Broker	Correspondent
Origination Channel	Broker	Retail
Origination Channel	Broker	Correspondent
Origination Channel	Correspondent	Retail
Origination Channel	Correspondent	Retail
Property Type	Single Family	Detached PUD
Property Type	Detached PUD	Site Condo
Representative Score	809	816
Representative Score	689	695
Representative Score	662	667
Representative Score	790	786
Representative Score	796	802
Representative Score	708	682
Representative Score	707	705
Representative Score	796	762
Representative Score	802	792

*Excludes loans with DTI differences of less than 5%.

Appendix C

Assumed Characteristics of the Reference Obligations (as of the Cut-off Date)

Group Number	Principal Balance (\$)	Remaining Term to Maturity (in months)	Original Term to Maturity (in months)	Per Annum Interest Rate (%)
1	693,946.35	348	360	2.500
2	605,182.57	348	360	2.625
3	2,042,504.38	349	360	2.760
4	11,750,035.97	348	360	2.874
5	122,622,399.77	348	360	3.000
6	518,696,364.07	348	360	3.125
7	2,077,653,600.94	348	360	3.250
8	3,883,903,499.37	348	360	3.375
9	7,040,652,004.80	348	360	3.499
10	5,063,356,692.51	348	360	3.625
11	3,427,300,538.13	348	360	3.750
12	2,755,780,098.15	347	360	3.875
13	2,225,290,530.11	347	360	3.996
14	875,130,154.45	347	360	4.125
15	563,182,358.22	348	360	4.250
16	298,437,489.90	347	360	4.375
17	222,035,377.41	347	360	4.499
18	103,464,425.84	347	360	4.625
19	51,314,978.06	347	360	4.750
20	36,163,541.47	347	360	4.875
21	14,927,175.02	347	360	4.993
22	5,349,065.57	347	360	5.124
23	4,739,573.94	347	360	5.248
24	1,556,551.60	347	360	5.375
25	1,194,812.84	347	360	5.488
26	629,810.20	347	360	5.619
27	246,178.13	348	360	5.750

Appendix D

Seller Restrictions

Canada

Each Dealer has represented, warranted and agreed that:

(a) the sale and delivery of any Notes to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser or principal, a "**Canadian Purchaser**") by such Dealer shall be made so as to be exempt from the prospectus filing requirements and exempt from, or in compliance with, the dealer registration requirements of all applicable securities laws, regulations, rules, instruments, rulings and orders, including those applicable in each of the provinces and territories of Canada (as defined in this section, the "**Securities Laws**");

(b) (i) the Dealer is an investment dealer as defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("**NI 31-103**"); or (ii) any sale and delivery of any Notes to a Canadian Purchaser will be made through (A) an affiliate of the relevant Dealer that is a registered investment dealer, exempt market dealer or restricted dealer; or (B) in compliance with the international dealer exemption from the dealer registration requirements, and otherwise in compliance with the representations, warranties, and agreements set out herein;

(c) each Canadian Purchaser is entitled under the Securities Laws to acquire the Notes without a prospectus qualified under the Securities Laws, and such purchaser, (A) is a "permitted client" as defined in section 1.1 of NI 31-103 and an "accredited investor" as defined in National Instrument 45-106 Prospectus and Registration Exemptions ("**NI 45-106**") and is a person to which a Dealer relying on the international dealer exemption from the dealer registration requirements or a Dealer registered as a restricted dealer may sell the Notes, or (B) is an "accredited investor" as defined in NI 45-106 who is purchasing the Notes from a registered investment dealer or exempt market dealer;

(d) it will ensure that each Canadian Purchaser purchasing from it (i) has represented to it that such Canadian Purchaser is resident in Canada; (ii) has represented to it which categories set forth in the relevant definition of "accredited investor" in NI 45-106 or "permitted client" in section 1.1 of NI 31-103, or both, as applicable, correctly describes such Canadian Purchaser; and (iii) consents to disclosure of all required information about the purchase to the relevant Canadian securities regulators or regulatory authorities;

(e) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than this Prospectus with respect to the private placement of the Notes in Canada) within the meaning of the Securities Laws;

(f) it has not made and it will not make any written or oral representations to any Canadian Purchaser:

(i) that any person will resell or repurchase the Notes purchased by such Canadian Purchaser;

(ii) that the Notes will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods;

(iii) that any person will refund the purchase price of the Notes; or

(iv) as to the future price or value of the Notes; and

(g) it will inform each Canadian Purchaser that:

(i) we are not a "reporting issuer" and are not, and may never be, a reporting issuer in any province or territory of Canada and there currently is no public market in Canada for any of the Notes, and one may never develop;

(ii) the Notes will be subject to resale restrictions under applicable Securities Law; and

(iii) such Canadian Purchaser's name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws.

European Economic Area

In relation to each Relevant Member State, each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time: (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require the publication by the Issuer or any other entity of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer undertakes that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Korea

The Issuer is not making any representation with respect to eligibility of any recipients of this Prospectus to acquire the Notes referred to herein under the laws of Korea. The Notes offered under this Prospectus have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Service and Capital Markets Act ("**FSCMA**") and are therefore subject to certain transfer restrictions. The Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea) except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law and the decrees and regulations thereunder.

Singapore

The Dealers have acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Dealer has represented, warranted and agreed that it will neither offer nor sell the Notes pursuant to an offering nor make the Notes the subject of an invitation for subscription or purchase whether directly or indirectly, and has not circulated or distributed, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person to whom an offer referred to in Section 275(1A) of the SFA is made, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Investors should note that any subsequent sale of the Notes acquired pursuant to an offer in this Prospectus made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA); (ii) relevant persons as defined in Section 275(2) of the SFA; or (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

Each Dealer has also represented, warranted and agreed to notify (whether through the distribution of this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes or otherwise) each of the following relevant persons specified in Section 276 of the SFA which has subscribed or purchased Notes from and through Fannie Mae or one of the Dealers, namely a person who is:

(A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

that the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred for six months after that corporation or that trust has acquired the Notes pursuant to an offer made in reliance on an exemption under Section 275 of the SFA except: (1) to an institutional investor (as defined in Section 4A of the SFA) or to a relevant person (as defined in Section 275(2) of the SFA), or (in the case of such corporation where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Taiwan

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the Notes in Taiwan, the Republic of China.

United Kingdom

Each of the Dealers has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended (the "FSMA"), received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

