

Multifamily MBS Prospectus



Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans)

The Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the guaranteed mortgage pass-through certificates. Each issuance of certificates will have its own identification number and will represent beneficial ownership interests in a distinct pool of mortgage loans that are secured by multifamily properties that contain five or more units, or in a pool of participation interests in loans of that type. The mortgage loans or participation interests are held in a trust created under a trust agreement.

Fannie Mae Guaranty

We guarantee to each trust that we will supplement amounts received by the trust as required to permit timely payments of principal and interest on the certificates. **We alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

Consider carefully the risk factors section beginning on page 12. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates are exempt from registration under the Securities Act of 1933, as amended, and are “exempted securities” under the Securities Exchange Act of 1934, as amended. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is November 1, 2012.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Information about this Prospectus and Prospectus Supplements	2	Pool Disclosure Documents	64
Incorporation by Reference	3	Pool Prefixes	64
Summary	4	Pool Statistics	64
Risk Factors	12	Monthly Pool Factor and Other Periodic Disclosures	65
Fannie Mae	31	Glossary	65
General	31	The Multifamily Mortgage Loans Government and Conventional Mortgage Loans	65
Regulation and Conservatorship	31	Fixed-Rate Mortgage Loans	66
Possibility of Future Receivership	32	Adjustable-Rate Mortgage Loans (ARM Loans)	67
Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement	33	Hybrid Mortgage Loans	71
Use of Proceeds	33	General Characteristics of Multifamily Loans	72
Description of the Certificates	33	Additional Characteristics of Multifamily Loans	81
General	34	Affordable Housing Loans	86
Issuance in Book-Entry Form	34	Other Special Feature Mortgage Loans	88
Settlement	34	DUS Loans	92
Distributions on Certificates	35	MFLex Loans	97
Reports to Certificateholders	37	Negotiated Transaction Loans	98
The Trust Documents	38	Fannie Mae Purchase Program	100
Fannie Mae Guaranty	38	Multifamily Selling and Servicing Guide	100
Purchases of Mortgage Loans from Pools	39	Multifamily Mortgage Loan Eligibility Standards	100
Substitution of Mortgage Loans in Pools	43	Seller and Servicer Eligibility	101
Collection and Other Servicing Procedures	44	Seller Representations and Warranties	101
Master Servicer	46	Servicing Arrangements	102
Removal of Successor Master Servicer	46	Servicing Compensation and Payment of Certain Expenses	103
Certain Matters Regarding Our Duties as Trustee	47	Material Federal Income Tax Consequences	104
Removal of Successor Trustee	47	U.S. Treasury Circular 230 Notice	104
Guarantor Events of Default	48	Internal Revenue Service Guidance Regarding the Certificates	105
Certificateholders' Rights Upon a Guarantor Event of Default	48	Application of Revenue Ruling 84-10	105
Future Limitations on Certificateholders' Rights under the Trust Agreement	49	Sales and Other Dispositions of Certificates	108
Voting Rights	49	Special Tax Attributes	108
Amendment	49	Multifamily Mortgage Loan Servicing	109
Termination	50	Information Reporting and Backup Withholding	110
Merger	50	Foreign Investors	110
Yield, Maturity and Prepayment Considerations	50	Plan of Distribution	111
Effective Yield	50	Accounting Considerations	111
Yield on Fixed-Rate Certificates	51	Legal Investment Considerations	111
Yield on Adjustable-Rate Certificates	51	ERISA Considerations	112
Yield on Hybrid Certificates	53	Legal Opinion	112
Maturity and Prepayment Considerations	54	Exhibit A: Frequently Used Multifamily MBS Pool Prefixes	A-1
The Multifamily Mortgage Loan Pools Assignment of Mortgage Loans; Delivery and Custody of Mortgage Loan Documents	63		
Age of Multifamily Mortgage Loans at Time of Pooling	63		

INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each issuance of certificates. We will post this prospectus and the related prospectus supplement for each issuance of certificates on our Web site identified below. In addition, we will deliver these documents either electronically or in paper form to parties who request them in accordance with our procedures. The disclosure documents for any particular issuance of certificates are this prospectus and the related prospectus supplement, together with any information incorporated into these documents by reference as discussed under the heading **“INCORPORATION BY REFERENCE.”** We also provide corrections and periodic disclosure regarding mortgage loans and pools through our Multifamily Securities Locator Service™ application or other locations on our Web site. For information about our ongoing disclosure, see **“THE MULTIFAMILY MORTGAGE LOAN POOLS—Monthly Pool Factor and Other Periodic Disclosures.”** **In determining whether to purchase any issuance of certificates in an initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement and any information that we have otherwise incorporated into these documents by reference. We take no responsibility for any unauthorized information or representation.**

You should note that the certificates are not traded on any exchange and the market price of a particular issuance of certificates or a benchmark price may not be readily available.

Each prospectus supplement will include information about the certificates being offered as well as information about the pooled mortgage loans backing those certificates. Unless otherwise stated in this prospectus or the related prospectus supplement, information about the mortgage loans will be given as of the issue date stated in the prospectus supplement, which is the first day of the month in which the certificates are issued. Because each prospectus supplement will contain specific information about a particular issuance of certificates, you should rely on the information in the prospectus supplement to the extent it is different from or more complete than the information in this prospectus.

Each prospectus supplement also may include a section under the heading “Recent Developments” that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues affecting Fannie Mae.

We have filed with the Securities and Exchange Commission (“SEC”) the initial report required by Rule 15Ga-1 under the Securities Exchange Act of 1934, as amended (the “ABS 15G report”). The ABS 15G report discloses information concerning each fulfilled and unfulfilled repurchase request that we have made to third parties for breaches of representations and warranties concerning the mortgage loans backing most of our outstanding mortgage-related securities. We will update the ABS 15G report each quarter. Our ABS 15G reports are available from the SEC’s Web site, www.sec.gov, and at the SEC’s Public Reference Room at 100 F Street NE, Washington, DC 20549.

You may obtain copies of this prospectus and the related prospectus supplement by writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. The prospectus supplement is typically available no later than two business days before the settlement date of the related issuance of certificates. These documents will also be available on our Web site at www.fanniemae.com. We are providing our Internet address solely for your information. Unless otherwise stated, information appearing on our Web site is not incorporated into this prospectus or into any prospectus supplement.

INCORPORATION BY REFERENCE

We are incorporating by reference in this prospectus the documents listed below. This means that we are disclosing information to you by referring you to these documents. These documents are considered part of this prospectus, so you should read this prospectus and the related prospectus supplement together with these documents.

You should rely on only the information provided or incorporated by reference in this prospectus and the related prospectus supplement. Moreover, you should rely on only the most current information.

We incorporate by reference the following documents we have filed, or may file, with the SEC:

- our annual report on Form 10-K for the fiscal year ended December 31, 2011, as amended on Form 10-K/A (the “2011 Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the 2011 Form 10-K until the date of this prospectus, including our quarterly reports on Form 10-Q and our current reports on Form 8-K but excluding any information we “furnish” to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the completion of the offering of the related certificates, excluding any information we “furnish” to the SEC on Form 8-K.

We make available free of charge through our Web site our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Materials that we file with the SEC are also available from the SEC’s Web site, www.sec.gov, and at the SEC’s Public Reference Room at 100 F Street NE, Washington, DC 20549.

You may also request copies of any filing from us, at no cost, by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115 or by writing to us at 3900 Wisconsin Avenue NW, Area 2H-3S, Washington, DC 20016.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it speaks in general terms without giving details or discussing any exceptions. Before buying any issuance of certificates, you should have the information necessary to make a fully informed investment decision. For that, you must read this prospectus in its entirety (and any documents to which we refer you in this prospectus) as well as the related prospectus supplement.

Security Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans).

Issuer and Guarantor Fannie Mae, a government-sponsored enterprise that was chartered by the U.S. Congress in 1938 under the name “Federal National Mortgage Association” to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. The address of our principal office is 3900 Wisconsin Avenue NW, Washington, DC 20016; the telephone number is 202-752-7000.

Fannie Mae has been under conservatorship since September 6, 2008. The conservator, the Federal Housing Finance Agency, succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. For additional information on conservatorship, see “**FANNIE MAE – Regulation and Conservatorship.**”

Our regulators include the Federal Housing Finance Agency, the U.S. Department of Housing and Urban Development, the SEC, and the U.S. Department of the Treasury. The Office of Federal Housing Enterprise Oversight, the predecessor of the Federal Housing Finance Agency, was our safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008.

On September 7, 2008, we entered into a senior preferred stock purchase agreement with the U.S. Department of the Treasury pursuant to which we issued to it one million shares of senior preferred stock and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. **Nevertheless, we alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

Sponsor and Depositor We are the sponsor of each issuance of certificates and the depositor of the mortgage loans into each trust.

Description of Certificates	Each certificate will represent a pro rata undivided beneficial ownership interest in a pool of mortgage loans. We will issue the certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.
Minimum Denomination	We will issue the certificates in minimum denominations of \$1,000, with additional increments of \$1.
Issue Date	The first day of the month in which the certificates are issued.
Settlement Date	No later than the last business day of the month in which the issue date occurs.
Distribution Date	The 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payments will be made on the next business day. The first distribution date for an issuance of certificates will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1, the first distribution date is April 25 or, if April 25 is not a business day, the first business day following April 25.
Maturity Date	The date specified in the prospectus supplement for each issuance of certificates.
Use of Proceeds	We usually issue certificates in exchange for the mortgage loans in the pool backing the certificates. We sometimes issue certificates backed by pools of mortgage loans that we already own, in which case we receive cash proceeds that are generally used for purchasing other mortgage loans or for general corporate purposes.
Interest	On each distribution date, we will pass through interest on the certificates as follows: <ul style="list-style-type: none"> • <i>for pools containing fixed-rate mortgage loans</i>: one month's interest at the fixed pass-through rate specified in the related prospectus supplement; and • <i>for pools containing adjustable-rate mortgage loans</i>: one month's interest at the then-current variable pass-through rate (referred to as the pool accrual rate). The initial pool accrual rate is specified in the related prospectus supplement.

Because our guaranty requires us to supplement amounts received by each trust as required to permit timely payment of interest, the amount of interest distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure

taken with respect to, or other loan modification made to, a mortgage loan while it remains in the trust.

Principal

We receive collections on the mortgage loans on a monthly basis. The period we use to differentiate between collections in one month and collections in another month is called the due period. The due period is the period from and including the second calendar day of the preceding month to and including the first calendar day of the month in which the distribution date occurs.

On each distribution date, we will pass through principal of the certificates as follows:

- the aggregate amount of the scheduled principal due on the mortgage loans in the pool during the related due period; and
- the aggregate amount of the unscheduled principal payments specified below:
 - the stated principal balance of mortgage loans as to which prepayments in full were received during the calendar month immediately preceding the month in which that distribution date occurs;
 - the stated principal balance of mortgage loans that were purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs; and
 - the amount of any partial prepayments on mortgage loans that were received during the calendar month immediately preceding the month in which that distribution date occurs.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of the principal amounts specified above, the amount of principal distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a loan while it remains in the trust.

We may treat a prepayment in full received on the first business day of a month as if the prepayment were received on the last business day of the preceding month. We pass through these prepayments on the distribution date in the same month in which the prepayment actually was received. For example, if a prepayment in full is actually received on the first

business day of April, it would be treated as if it had been received on the last business day of March and, therefore, would be passed through on April 25 (or the next business day, if April 25 is not a business day).

A loan may permit the reamortization of principal after a permitted voluntary prepayment or an involuntary prepayment caused by the receipt of proceeds from insurance or condemnation. A reamortization will cause a change in the rate at which principal is passed through to certificateholders.

Monthly Pool Factors On or about the fourth business day of each month, we publish the monthly pool factor for each issuance of certificates. If you multiply the monthly pool factor by the original principal balance of the certificates, you will obtain the current principal balance of the certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. The most current pool factor is generally available in our Multifamily Securities Locator Service application on our Web site.

Guaranty We guarantee to each trust that on each distribution date we will supplement amounts received by the trust as required to permit payments on the related certificates in an amount equal to:

- the aggregate amounts of scheduled and unscheduled principal payments described in “—Principal” above, and
- an amount equal to one month’s interest on the certificates, as described in “—Interest” above.

In addition, we guarantee to the related trust that we will supplement amounts received by the trust as required to make the full and final payment of the unpaid principal balance of the related certificates on the distribution date in the month of the maturity date specified in the prospectus supplement.

Our guaranty runs directly to the trust and not directly to certificateholders. Certificateholders have limited rights to bring proceedings directly against us to enforce our guaranty. See “**THE TRUST DOCUMENTS—Certificateholders’ Rights Upon a Guarantor Event of Default.**” While we are in the current conservatorship, the conservator does not have the right to repudiate our guaranty on the certificates offered by this prospectus. However, if we are placed into receivership, or if we emerge from conservatorship and are then again placed into conservatorship, the receiver or conservator, as applicable, will have the right to repudiate our guaranty on the certificates. See

“RISK FACTORS—RISKS RELATING TO CREDIT—Fannie Mae Credit Factors.”

Under certain circumstances, certificateholders have certain limited rights to bring proceedings against the U.S. Department of the Treasury if we fail to pay under our guaranty. The total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. For a description of certificateholders’ rights to proceed against Treasury, see **“FANNIE MAE—Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.”**

Prepayments Some multifamily mortgage loans allow voluntary prepayment at any time. Other multifamily loans prohibit voluntary prepayment during an initial period but allow it later in the term. When voluntary prepayment is permitted, the borrower may be assessed a prepayment premium, which may be in the form of yield maintenance, a fee equal to a declining percentage of the unpaid principal balance or other form. The prospectus supplement will specify when voluntary prepayments will be permitted on the multifamily loans in the pool, whether any prepayment premiums will be assessed and whether any of the prepayment premiums, if collected, will be shared with you. We do not guarantee to any trust the payment of any prepayment premiums.

Defeasance A multifamily mortgage loan may prohibit voluntary prepayments of principal during all or a substantial portion of its term but permit the borrower to defease the loan by delivering Treasury or agency securities as substitute collateral. If the loan is defeased, the lien on the mortgaged property will be released. Although the loan will remain outstanding, it will no longer qualify as a “loan secured by an interest in real property.” See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Defeasance of Loans.”**

Master Servicing/Servicing We are responsible as master servicer for certain duties. We generally contract with mortgage lenders to perform servicing functions for us subject to our supervision. We refer to these servicers as our primary servicers. In certain cases, we may act as primary servicer. For a description of our duties as master servicer and the responsibilities of our primary servicers, see **“THE TRUST DOCUMENTS—Collection and Other Servicing Procedures”** and **“FANNIE MAE PURCHASE PROGRAM—Servicing Arrangements.”**

Business Day	Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account.
Trust Agreement	Each issuance of certificates is issued pursuant to the Multifamily Master Trust Agreement effective as of October 1, 2010, as supplemented by an issue supplement for that issuance. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement and the related issue supplement for a complete description of your rights and obligations as well as those of Fannie Mae in its various capacities. The trust agreement may be found on our Web site.
Trustee	We serve as the trustee for each trust pursuant to the terms of the trust agreement and the related issue supplement.
Paying Agent	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the certificates.
Fiscal Agent	An entity designated by us to perform certain administrative functions for our trusts. The Federal Reserve Bank of New York currently serves as our fiscal agent for the certificates.
Multifamily Mortgage Pools	Each multifamily mortgage pool will contain the types of multifamily mortgage loans (or participation interests in multifamily mortgage loans) specified in the related prospectus supplement. Unless it is later defeased, each multifamily mortgage loan in a pool will be secured by a first or subordinate lien on a multifamily residential property containing five or more dwelling units.
Multifamily Mortgage Loans	We acquire multifamily mortgage loans from mortgage loan sellers that we have approved. The mortgage loans may have been originated by the seller or may have been acquired by the seller from the originator of the loans, which may or may not be an approved mortgage loan seller. Each mortgage loan that we acquire must either meet our published standards (except to the extent that we permit waivers from those standards) or be reviewed by us before delivery to determine its suitability. We may modify our standards from time to time.

Multifamily mortgage loan pools may include the following types of mortgage loans:

- Fixed-rate loans with balloon payments at maturity;
- Adjustable-rate loans that do not permit deferral of interest, with balloon payments at maturity;
- Loans that are fixed-rate loans for their initial term and then permit a borrower to extend the term of the loan at a different fixed rate or at an adjustable rate throughout the extended term, with balloon payments at maturity;
- Loans that are adjustable-rate loans for a portion of their terms and then permit a borrower to convert the loan to a fixed-rate loan for the remainder of their terms, with balloon payments at maturity;
- Fixed-rate loans or adjustable-rate loans with monthly payments of interest only during a specified initial period, followed by monthly payments of principal and interest for the remaining loan term, with balloon payments at maturity;
- Fixed-rate loans or adjustable-rate loans with monthly payments of interest only during their entire term, with balloon payments at maturity;
- Adjustable-rate loans with terms of less than four years, monthly payments of interest only during their entire term, and balloon payments at maturity;
- Fixed-rate loans or adjustable-rate loans that fully amortize over their terms; and
- Adjustable-rate loans that permit deferral of interest (which is added to the outstanding principal balance of the mortgage loans) as a result of negative amortization, with balloon payments at maturity.

Types of Collateral Unless a loan is later defeased, each multifamily mortgage loan will be secured by a lien on one or more of the following types of multifamily residential properties:

- Apartment buildings and residential rental communities;
- Cooperative housing projects;
- Dedicated student housing;
- Manufactured housing communities;

- Military housing;
- Rural housing; and
- Seniors housing.

Many multifamily properties may be considered affordable housing.

If a multifamily mortgage loan is defeased, it will no longer be secured by a multifamily property. Instead, it will be secured by Treasury or agency securities that will fund the scheduled principal and interest payments on the loan for the remainder of its term.

Termination The trust for a particular issuance of certificates will terminate when the certificate balance of the certificates has been reduced to zero, and all required distributions have been passed through to certificateholders. We do not have any unilateral option to cause an early termination of the trust other than by purchasing a loan from a pool for a reason permitted by the trust agreement.

Federal Income Tax Consequences Each multifamily mortgage pool will be classified as a fixed investment trust. Each beneficial owner of a certificate will be treated as the owner of a pro rata undivided interest in each of the multifamily mortgage loans included in that pool. Accordingly, each owner will be required to include in income its pro rata share of the entire income from each mortgage loan in the pool, and generally will be entitled to deduct its pro rata share of the expenses of the trust, subject to the limitations described in this prospectus.

Legal Investment Considerations Under the Secondary Mortgage Market Enhancement Act of 1984, the certificates offered by this prospectus and the related prospectus supplement will be considered “securities issued or guaranteed by . . . the Federal National Mortgage Association.” Nevertheless, you should consult your own legal advisor to determine whether and to what extent the certificates of an issuance constitute legal investments for you.

ERISA Considerations For the reasons discussed under “**ERISA CONSIDERATIONS**” in this prospectus, an investment in the certificates by a plan subject to the Employee Retirement Income Security Act (“ERISA”) will not cause the assets of the plan to include the multifamily mortgage loans underlying the certificates or the assets of Fannie Mae for purposes of the fiduciary provisions or the prohibited transaction provisions of ERISA or section 4975 of the Internal Revenue Code of 1986, as amended.

RISK FACTORS

We have listed below some of the principal risk factors associated with an investment in the certificates. Moreover, you should carefully consider the risk factors related to Fannie Mae that are found in our annual report on Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus. The risk factors relating to Fannie Mae include risks that may affect your investment in and the value of the certificates. In addition, we may disclose additional risk factors associated with a specific issuance of certificates in the related prospectus supplement. You should review all of these risk factors before investing in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial or legal advisor to determine whether the certificates are a suitable investment for you.

RISKS RELATING TO INVESTMENT DECISIONS

The certificates may not be a suitable investment for you.

The certificates are complex financial instruments. They are not a suitable investment for every investor. Before investing, you should:

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

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

If a mortgage loan in your pool permits defeasance, defeasance of the loan may cause the related certificates to lose their real estate character.

When an eligible mortgage loan is defeased, the lien on the mortgaged property is released and the loan is thereafter secured by Treasury or agency securities. As a result, the loan is no longer secured by real property. The consequences of the release of the mortgaged property on the special tax attributes of the related certificates are discussed in “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes—Defeasance Mortgage Loans.**”

RISKS RELATING TO YIELD AND PREPAYMENT

The yield on your certificates may be lower than expected due to an unexpected rate of principal prepayments.

The actual yield on the certificates is likely to be lower than you expect:

- if you buy certificates at a premium, and principal payments are faster than you expect; or
- if you buy certificates at a discount, and principal payments are slower than you expect.

Notwithstanding the price you paid for the certificates, if principal payments are faster than you expect, then, depending on then-prevailing economic conditions and interest rates, you may

not be able to reinvest those funds at a yield that is equal to or greater than the yield on your certificates. If principal payments are slower than you expect, your ability to reinvest those funds will be delayed. In that case, if the yield on your certificates is lower than comparable investments available when you expected to, but did not, receive principal, you will be at a disadvantage by not having as much principal available to reinvest at that time. Some of the specific reasons that mortgage loans could be prepaid at a rate that differs from your expectations are described below.

Even if the mortgage loans in your pool are repaid at a rate that on average is consistent with your expectations, variations in the rate of prepayment over time can significantly affect your yield.

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

A mortgage loan in your pool may permit reamortization of principal after a partial prepayment of principal, which may reduce the monthly distributions on your certificates, affecting your yield.

A mortgage loan in your pool may permit the reamortization of the principal remaining after a partial prepayment of principal. If there is a partial prepayment of principal on a mortgage loan in your pool, whether the prepayment is voluntary or involuntary, the loan may permit or require reamortization of the remaining unpaid principal over an amortization period that is determined at the time of the reamortization. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will change and may be reduced. Any change in the monthly payment may cause a corresponding change in the amount of principal and interest passed through to the certificateholders each month, affecting your yield.

The number and characteristics of mortgage loans will differ from pool to pool, causing prepayment speeds to differ for different issuances of certificates.

We have several business lines under which we purchase and securitize loans, each of which has different loan eligibility requirements and underwriting standards. See “**THE MULTI-FAMILY MORTGAGE LOANS.**” Moreover, a multifamily pool may include a single loan, a mix of loans with differing characteristics or a group of loans originated at different times by different lenders. Because we change our loan eligibility requirements and underwriting standards from time to time, it is possible that not all the mortgage loans in a particular pool will be subject to the same eligibility and underwriting standards. These differences, and differences in the characteristics of the loans in the pool, may affect the likelihood that a borrower will prepay a loan under various prevailing economic circumstances or the likelihood that a borrower will become delinquent. Thus, these differences may affect the rate of prepayment of a particular issuance of certificates, which rate may not reflect historical payment averages or average prepayment speeds of otherwise similar certificates issued at the same time. This is especially true for pools including only one loan or a small number of loans.

The location of real property securing mortgage loans in a pool will differ from pool to pool, causing prepayment speeds to differ for different issuances of certificates.

We purchase multifamily loans throughout the United States and its territories. A pool may include loans secured by property in one or several states and may be relatively concentrated or diverse in location. In addition, many pools are backed by only one or two loans and, thus, are geographically concentrated. Regional economic differences among locations may affect the likelihood that a borrower will prepay a loan or that a borrower will become delinquent. Thus, the differences among geographic concentrations in pools may affect whether the principal payment rate of a particular issuance of certificates will follow the predicted or average payment speeds of otherwise similar certificates issued concurrently. Furthermore, a natural disaster such as a

hurricane, tornado or earthquake could severely affect the economy of a particular region for an extended period of time. This could result in an increase in the number of defaults or repayments by borrowers, causing accelerated principal payments to certificateholders and adversely affecting the liquidity of the certificates.

The defeasance of a mortgage loan in your pool eliminates the possibility that the loan will be prepaid.

A mortgage loan in your pool may be eligible for defeasance during its term. If a borrower defeases a loan, the borrower will deliver substitute collateral that will be used thereafter to make the required principal and interest payments on the loan. At that time, although the mortgage loan will remain outstanding, the mortgaged property will be released from the mortgage lien, and the borrower will be released from the mortgage note obligation. Because the substitute collateral will be used to make the required payments on the loan, the loan will not be prepaid in whole or in part, voluntarily or involuntarily, during the remaining term.

Mortgage loans in your pool may not require payment of prepayment premiums or, even if premium payments are required and collected, you may not be entitled to receive a share of the prepayment premiums. Our guaranty does not extend to the payment of prepayment premiums.

While multifamily loans often require borrowers to pay a prepayment premium as a condition of voluntarily prepaying their loans, some multifamily loans do not require borrowers to pay a prepayment premium. Moreover, even if a loan requires the borrower to pay a prepayment premium, payment of the prepayment premium may be waived under certain specified circumstances. See “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Prepayment Premiums.**” In addition, unless the prospectus supplement provides otherwise, multifamily loans often do not require the borrower to pay a prepayment premium upon a full or partial prepayment resulting from the receipt of casualty insurance or condemnation proceeds.

Even if a borrower pays a prepayment premium, certificateholders may not be entitled to receive a share of the premium. The prospectus supplement will state whether a share of any prepayment premiums would be passed through to you and, if so, will describe the calculation of your share. If you are entitled to share in any prepayment premiums, we will pass through a share of the premiums only if, and to the extent that, the premiums are collected from borrowers. If we are unable to collect a prepayment premium, you will not receive any share of the premium. Moreover, if we collect a prepayment premium when a borrower defaults on the loan, you will not be entitled to share in the premium.

A bridge loan may be prepaid after the first year of its term without payment of any prepayment premium, accelerating the rate of principal payment on your certificates and affecting your yield.

A mortgage loan in your pool may be a bridge loan with an original term no greater than four years, a term that is shorter than the typical loan term. Bridge loans are generally locked out from prepayment during the first year of their terms but open to prepayment without prepayment premium after that time. If the bridge loan is prepaid, the prepaid principal will be passed through to certificateholders as an early prepayment, affecting your yield.

A pool of multifamily loans may afford little or no diversification of investment.

Although an investment in certificates backed by multifamily loans may benefit an investor by providing diversification, the benefit may be realized only if and to the extent that your pool contains many loans that differ from one another as to credit risk and other risk parameters. Many pools are backed by only one or two loans and, thus, do not afford the benefit of diversification. You should review carefully the prospectus supplement, which provides the number of loans

included in a pool, the geographic locations of the mortgaged properties and other general characteristics of the loans. The diversification of a pool may increase or decrease over time due to repayment of loans in the pool, purchases of loans from the pool or substitution of collateral in the pool.

Volatility in currency exchange rates may adversely affect your yield on the certificates.

We will make all payments of principal and interest on the certificates in U.S. dollars. If you conduct your financial activities in another currency, an investment in any U.S. dollar-denominated security such as the certificates has significant additional risks. These include the possibility of significant changes in the rate of exchange and the possibility that exchange controls may be imposed. In recent years, the exchange rates between the U.S. dollar and certain currencies have been highly volatile. This volatility may continue. If the value of your currency appreciates relative to the value of the U.S. dollar, the yield on the certificates, the value of payments on the certificates and the market value of the certificates all would decline in terms of your currency.

ARM and Hybrid Pools

If you hold certificates backed by pools containing adjustable-rate mortgage loans, your yield will be affected by changes in the index used to set interest rates on the loans and by limits on the interest rate changes.

Adjustable-rate mortgage loans (“ARM loans”) bear interest at rates that change periodically in response to changes in an index. Some indices respond more quickly to changes in market interest rates than do other indices. As a result, a change in the index value will not necessarily cause an immediate change in the pool accrual rate. All of the loans in a single adjustable-rate pool will have the same index and will adjust with the same frequency (monthly, quarterly, semi-annually, annually, etc.). The loans in the pool, however, may vary with respect to their mortgage margins and the dates of their interest rate changes. As a consequence, loans in a single pool may have different interest rates. If the interest rates on ARM loans in the pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index.

In addition, the interest rate on many ARM loans changes based on the value of the applicable index at a date days or weeks before the effective date of the change in the loan’s interest rate. As a result, in a time of rapidly increasing or decreasing market interest rates, the interest rates on the loans in your pool may not reflect current market interest rates. Moreover, many ARM loans have caps and floors that set the maximum and minimum size of periodic interest rate changes and may have lifetime caps and floors that set the maximum and minimum interest rate that a loan may bear over its lifetime. Because holders of certificates backed by pools of ARM loans receive interest at a rate that is the weighted average of the interest rates on the loans in the pool, net of servicing and guaranty fees, any or all of these factors will affect the yield on your certificates.

A disproportionate incidence of prepayments and purchases from a pool containing ARM loans with different interest rates will affect your yield.

Holders of certificates backed by pools with more than one ARM loan receive interest at a rate equal to the weighted average of the loan rates, net of guaranty and servicing fees. The weighted average will change whenever a loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases of loans from a pool that includes loans with different interest rates will increase or decrease your effective yield.

Pools containing ARM loans that may be converted into fixed-rate loans may have higher rates of prepayment, accelerating the rate of principal payment on your certificates.

An ARM loan in your pool may permit the borrower to convert the loan to a fixed-rate loan during a specified period of time. The trust agreement gives us the option to purchase the loan

from the pool upon a conversion; however, our current policy requires that we purchase the loan from the pool no later than the calendar month before the loan begins to accrue interest at the new fixed rate. The borrower is not required to pay a prepayment premium in this case. The purchase of the loan, therefore, will accelerate the rate of principal payment on your certificates. As a result, the weighted average life of a pool of convertible ARM loans may be significantly shorter than the weighted average life of an otherwise comparable pool of non-convertible ARM loans, which may adversely affect your yield. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Yield on Hybrid Certificates—Convertible ARM Loans.”**

If you hold certificates backed by pools containing mortgage loans with fixed rates of interest that convert to adjustable rates of interest during their final year, your yield may be significantly affected when the interest rate changes. These mortgage loans may also have higher rates of prepayment, accelerating the rate of principal payment on your certificates.

A mortgage loan in your pool may have a fixed rate of interest until the final year of its term and then convert to an adjustable rate of interest during the last year. The trust agreement does not permit us to purchase the loan under these circumstances. The loan will accrue interest at a variable rate during the final year of its term, and interest passed through during the final year will be based on the applicable variable rate, which may be lower than the original fixed rate, affecting your yield. Moreover, depending on then-current interest rates, borrowers may decide to pay off their loans at the end of the fixed-rate term rather than pay interest at a variable rate during the final year. The borrower is not required to pay a prepayment premium in this case. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Yield on Hybrid Certificates—Fixed+1 Loans.”**

If you hold certificates backed by pools containing mortgage loans that permit extension of the loan term and conversion of the fixed rate of interest to a variable rate, your yield may be significantly affected if the term is extended.

A mortgage loan in your pool may have a fixed rate of interest during an initial term and, during a specified period, permit the borrower to extend the maturity date of the loan and convert the fixed rate of interest to a variable rate of interest. The trust agreement gives us the option to purchase the loan from the pool upon an extension; however, our current policy requires that the loan remain in the pool. The loan will accrue interest at a variable rate during the extended term, and interest passed through during the extended term will be based on the applicable variable rate, which may be lower than the original fixed rate, affecting your yield. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Yield on Hybrid Certificates—Extended Maturity Loans.”**

If you hold certificates backed by pools containing mortgage loans that permit extension of the loan term at a new fixed rate of interest, your yield may be significantly affected if the term is extended.

A mortgage loan in your pool may have a fixed rate of interest during an initial term and, during a specified period, permit the borrower to extend the maturity date of the loan at a new fixed rate. The trust agreement gives us the option to purchase the loan from the pool upon an extension; however, our current policy permits us to decide at any time after a borrower decides to extend the term but before the initial maturity date whether to purchase the loan from the pool. If we purchase the loan from the pool, the purchase will accelerate the rate of principal payment on your certificates. The borrower is not required to pay a prepayment premium in this case. If the loan remains in the pool, the loan will accrue interest at a new fixed rate during the extended term, and interest passed through during the extended term will be based on the new fixed rate of interest, which may be lower than the original fixed rate, affecting your yield. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Yield on Hybrid Certificates—Step-Rate Extended Maturity Loans.”**

Refinancing and Sale

Prevailing interest rates may decline, causing borrowers to prepay their mortgage loans and refinance at lower rates, accelerating the rate of principal payment on your certificates.

If prevailing interest rates decline and borrowers are able to obtain new mortgage loans at lower rates, they are more likely to refinance their loans. Many multifamily loans require borrowers to pay prepayment premiums that discourage borrowers from prepaying. However, some loans may not require the payment of prepayment premiums at all or may require the payment of prepayment premiums for a period that is much shorter than the term of the loan, making these loans more likely to be refinanced during a time of declining interest rates. As a result, the loan or loans in your pool may, on average, prepay more quickly than you expect, causing you to receive payments of principal on your certificates more quickly than you expect. Moreover, this may occur at a time when reinvestment rates are lower.

Prevailing interest rates may rise or capital could continue to be less available, causing borrowers not to refinance their mortgage loans, slowing the rate of principal payment on your certificates.

If prevailing interest rates rise or if capital continues to be restricted and borrowers are less able to obtain new mortgage loans at lower rates or to obtain loans at all, they may be less likely to refinance their existing loans. If borrowers do not refinance their loans, the loans in your pool may, on average, prepay more slowly than you expect, causing you to receive payments of principal on your certificates more slowly than you expect. Moreover, this may occur at a time when reinvestment rates are higher.

Loan-to-value ratios for mortgage loans in your pool may be higher than at the time the loans were originated, resulting in borrowers not refinancing their loans and slowing the rate of principal payment on your certificates.

The loan-to-value ratio disclosed in a prospectus supplement generally is based on the value of the related mortgaged property at the time the mortgage loan was originated. A decline in the value of the mortgaged property after that time will result in a higher loan-to-value ratio for that loan, which may make refinancing of the loan more difficult for the borrower. Thus, pools containing these loans may prepay on average more slowly than you expect.

Debt service coverage ratios for mortgage loans in your pool may be lower than at the time the loans were originated, resulting in borrowers refinancing their loans and slowing the rate of principal payment on your certificates.

The debt service coverage ratio disclosed in a prospectus supplement generally is based on the net operating income of the related mortgaged property at the time the mortgage loan was originated. A decline in the net operating income of the mortgaged property after that time will result in a lower debt service coverage ratio for that loan, which may make refinancing of the loan more difficult for the borrower. Thus, pools containing these loans on average may prepay more slowly than you expect.

The mortgage origination industry may change its underwriting requirements, procedures and prices for refinancing mortgage loans, either accelerating or slowing the rate of principal payment on your certificates.

Mortgage originators continually review and revise procedures for processing refinance loans. Sometimes these changes occur with our cooperation. From time to time, mortgage originators may tighten or loosen underwriting guidelines, making it potentially more difficult and more expensive or easier and less costly for borrowers to refinance their loans. An increase in the refinancing of loans in your pool will accelerate the rate of principal payments on your certificates. A decrease in the refinancing of loans in your pool will slow the rate of principal payments on your certificates.

A mortgage loan may be paid in full upon the sale of the related mortgaged property, accelerating the rate of principal payment on your certificates.

A mortgaged property may be sold for reasons that vary among borrowers. When a mortgaged property is sold, many multifamily loans permit the related loan to be assumed by a new owner that meets credit standards and other requirements imposed by the lender. However, the new owner may be unable to or may decide not to assume the existing mortgage loan even if the loan permits an assumption. Instead, the borrower may pay the loan in full, along with any required prepayment premium. As a result, you may receive payments of principal on your certificates more quickly than you expect.

A mortgage loan that is recourse to the borrower or that is guaranteed as to payment may require payment in full upon the sale of the related mortgaged property, accelerating the rate of principal payment on your certificates.

Multifamily non-recourse mortgage loans may permit a loan to be assumed by or transferred to a new borrower that is approved by the lender. In contrast, a multifamily loan that provides for recourse to the borrower may be assumed by or transferred to a new borrower under only limited circumstances (estate planning, easements, and similar events). Moreover, a non-recourse loan with a full or partial payment guaranty (a “payment guaranty”) is generally not permitted to be assumed or transferred to a new borrower. Thus, if a mortgage loan in your pool is a recourse loan at the time the certificates are issued or becomes a recourse loan during its term, or if the loan has a payment guaranty, and the related mortgaged property is sold, the borrower may be required to pay the loan in full, along with any required prepayment premium. As a result, you may receive payments of principal on your certificates more quickly than you expect. See “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Prepayments of Multifamily Loans—Assumptions and Transfers—Recourse Loans.**”

Purchases of Mortgage Loans from Pools/Substitution of Mortgage Loans in Pools

We may purchase a mortgage loan from your pool if the loan becomes delinquent, which may result in an early return of principal of your certificates.

Under the trust documents, we have the option to purchase a mortgage loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period from the first missed payment date through the fourth consecutive payment date (or through the eighth consecutive payment date, in the case of a biweekly mortgage loan). Moreover, under certain circumstances that are specified in the trust documents, we have the option to purchase a loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period from the first missed payment date through the second consecutive payment date (or through the fourth consecutive payment date in the case of a biweekly mortgage loan). See “**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools—Optional Purchases by Guarantor.**”

We generally purchase a delinquent multifamily loan from a pool soon after it becomes eligible for purchase. We may decide, or may be directed by the Federal Housing Finance Agency (“FHFA”), our conservator, to modify this policy regarding our option to purchase delinquent multifamily loans from pools.

When we purchase a delinquent loan from a pool, its stated principal balance, together with accrued interest, is passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, our purchase of a delinquent loan from your pool would have the same effect as a borrower prepayment, accelerating the payment of principal on your certificates. Although payment of a prepayment premium may be required, no portion of any prepayment premium that is collected is payable to certificateholders in this case.

We may purchase a mortgage loan from your pool if the loan becomes 30 days delinquent on any of the first four consecutive payment dates after we acquired the loan.

If a mortgage loan is at least 30 days delinquent with respect to a payment that is due on any of the first four consecutive payment dates (or on any of the first eight consecutive payment dates if the loan is a biweekly loan) that occur after we acquired the loan, we have the option to purchase the loan, from your pool. Any such purchase must occur within 90 days after the fourth consecutive payment date (or within 90 days after the eighth consecutive payment date if the loan is a biweekly loan). If the mortgage loan is purchased from the pool, its stated principal balance, together with accrued interest, will be passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, our purchase of a delinquent loan from your pool would have the same effect as a borrower prepayment, accelerating the payment of principal on your certificates. Although payment of a prepayment premium may be required, no portion of any prepayment premium that is collected is payable to certificateholders in this case. See **“THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools—Optional Purchases by Issuer.”**

We may require the purchase of some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate of principal payment on your certificates.

At the time that mortgage loans are delivered to us, we require each seller to make representations and warranties about itself and the loans being delivered, including representations and warranties that the loans comply with all applicable federal, state and local laws, and that the loans meet our then-current selling guidelines. If the representations and warranties were not true when made, we may require our mortgage loan seller to purchase the loans from your pool at any time. No prepayment premium will be collected or paid in this case. The affected loans could include some or all of the loans in your pool. For a description of these representations and warranties, see **“FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties.”**

We may substitute a different mortgage loan, secured by a different mortgaged property, for a loan that was purchased from your pool.

Under the circumstances specified in **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Substitution of Mortgage Loans,”** we may substitute a different mortgage loan, secured by a different mortgaged property, for a loan that was purchased from your pool. If we do so, the terms of the substitute loan and characteristics of the substitute mortgaged property could differ, perhaps significantly, from the terms and characteristics of the purchased loan and related mortgaged property. Depending on the number of loans in your pool, the substitution of a loan could have a significant effect on your investment.

Other Prepayments

Mortgage loans may be partially prepaid, accelerating the rate of principal payments on your certificates.

Voluntary partial prepayments of principal are generally prohibited on multifamily mortgage loans. Nevertheless, if the related prospectus supplement so states, some loans may permit voluntary partial prepayments. In addition, an involuntary partial prepayment of principal may occur as a result of a casualty or condemnation. For example, if the damage to or destruction of a mortgaged property is wholly or partially covered by insurance, the insurance proceeds may be used to prepay the related mortgage loan, in whole or in part, rather than repair the property. If a partial prepayment of principal is made on a loan (whether voluntarily or involuntarily), the prepaid principal will be passed through to certificateholders. If a prepayment premium is due in connection with the

prepayment and is actually collected, any share of the premium to which certificateholders are entitled will also be passed through to certificateholders. The effect of a prepayment of principal may be greater if the loan is an interest-only loan for a portion of its term because distributions on the certificates during the interest-only term will include any unscheduled payments of principal made by the borrower during that time.

A borrower's failure to meet performance targets under an agreement secured by cash, letters of credit or other non-real estate cash-equivalent collateral may cause a partial prepayment of principal on a mortgage loan in your pool, accelerating the rate of principal payment on your certificates.

A borrower may be required to enter into an agreement providing that the mortgaged property will reach a specified occupancy by a certain date or that certain improvements or repairs will be completed by a certain date. These obligations may be secured by a letter of credit or similar collateral. If the required condition is not satisfied by the specified date, we may use the proceeds of the collateral to pay down the unpaid principal balance and pay any required prepayment premium. If that occurs, there will be a partial prepayment of principal to certificateholders. Unless the failure to satisfy the required conditions is an event of default under the related mortgage loan, certificateholders will receive their share, if any, of prepayment premiums we collect. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Prepayments of Multifamily Loans—Proceeds from Other Collateral.”**

If a mortgaged property is subject to a ground lease, an event of default under the ground lease may be an event of default under the mortgage loan.

A mortgage loan in your pool may be secured by a mortgaged property that is a leasehold interest in real property, evidenced by a ground lease. An event of default under the ground lease during the term of the loan is an event of default under the mortgage loan, which would result in payment in full of the mortgage loan. The principal would be passed through to certificateholders, accelerating the rate of principal payment on your certificates, affecting your yield. See **“THE MULTIFAMILY MORTGAGE LOANS—Additional Characteristics of Multifamily Loans—Loans Secured by Leasehold Interests.”**

Affordable Housing Loans and Other Special Feature Mortgage Loans

The successful operation of a mortgaged property securing an affordable housing mortgage loan may depend upon additional factors.

Affordable housing loans are secured by properties that are encumbered by regulatory agreements or recorded restrictions that limit rents, impose income restrictions on tenants, or place other restrictions on the use of the property. A breach of these restrictions may constitute an event of default under the mortgage loan or may result in the termination of any payments being received from the governmental entity that imposed the restrictions. An affordable housing property also may be a property that has no regulatory agreement or specific federal, state or local rental assistance or subsidy but that has many tenants who receive assistance under Section 8 of the United States Housing Act of 1937.

An affordable housing property may benefit from long-term federal rental assistance or other federal, state or local subsidies that may be terminated or abated if the requirements of the subsidies are not met. If a subsidy is reduced or eliminated and (i) the subsidy cannot be replaced by a new subsidy, (ii) increased rents cannot be charged to current tenants due to prohibitions on rent increases or the inability of tenants to pay increased rents, and/or (iii) the property cannot be rented to market-rate tenants due to occupancy restrictions based on tenant income or the appeal of the property to such tenants, the related mortgage loan may default.

An affordable housing property may have additional subordinate debt owed to a multifamily lender or to a governmental entity. Subordinate debt owed to a governmental entity may be for the benefit of the property but may be conditioned on the property continuing to comply with specified use and occupancy restrictions. Failure to make all payments due on the subordinate debt or failure to comply with any use and occupancy restrictions may result in a default on the subordinate debt and a consequent default on the loan in your pool.

In any of these cases, a default on the mortgage loan may result in acceleration and payment in full of the loan, accelerating the rate of principal payment on your certificates and affecting your yield.

An affordable housing mortgage loan may be secured by a property that has received an allocation of low-income housing tax credits but has failed to comply with the requirements for maintaining eligibility to receive the tax credits due to operations of the property or a casualty on the property.

If a mortgaged property that has received an allocation of low-income housing tax credits does not remain in compliance with the applicable tax credit restrictions on operations of the property or, in certain cases, if a casualty occurs on the property, the owners of the property may lose some or all of the tax credits and other benefits related to the period of the noncompliance. In that case, they may incur penalties, including the recapture of tax credits and other tax benefits that were previously taken. If the loss of the tax credits and other benefits adversely affects the cash flow of the mortgaged property, an event of default may occur, resulting in acceleration and payment in full of the mortgage loan, accelerating the rate of principal payment on your certificates and affecting your yield.

The successful operation of a mortgaged property with other special features may depend upon additional factors.

The related prospectus supplement may indicate that a loan in the pool is secured by a property with special features. Significant factors affecting loans secured by properties with one or more special features are set forth below. If an event of default under a mortgage loan secured by any of these special feature mortgaged properties results in the principal balance of the loan being paid in full, you will receive an early payment of principal on your certificates. Many multifamily pools are backed by only one or two mortgage loans. If there is only one mortgage loan in a pool and the principal balance is paid in full, the pool will be terminated and the stated principal balance will be distributed to you. See “**THE MULTIFAMILY MORTGAGE LOANS—Other Special Feature Mortgage Loans**” for a more complete description of each of these loan types.

Cooperative Blanket Loans: A cooperative housing corporation may be a borrower on a blanket mortgage loan secured by a cooperative housing project. The unit-owners, who are the owners of the cooperative housing corporation (“co-op corporation borrower”), are responsible for paying the co-op corporation borrower only their proportionate share of the operating expenses and debt service. This typically results in a debt service coverage ratio of 1.00x. In addition, the unit-owners are responsible for paying special assessments to reimburse the co-op corporation borrower for any unanticipated expenditures as needed. In some cases, the co-op corporation borrower may decide to pay for the unanticipated expenditure from the co-op corporation’s reserve account. If that occurs, the co-op project’s net operating income and debt service coverage ratio may have negative values in the year in which the expenditure was made. The co-op corporation borrower’s ability to make monthly payments on the blanket mortgage loan is dependent upon the timely receipt of mortgage and expense payments from the unit-owners. If these payments are not made as and when required, the co-op corporation borrower’s cash flow may be adversely affected.

Dedicated Student Housing Loans: These loans are secured by multifamily properties which are located near a college or university campus and in which 80% or more of the units are leased to college or graduate students. The high turnover of student tenants at the end of a semester or

school year and the higher level of required maintenance may have a significant adverse effect on the profitability of the operation of student housing. Moreover, a decline in student enrollment at the college or university or construction of on-campus student housing may adversely affect the student housing rental demand. If the student housing is not profitable, the borrower may be unable to make the required principal and interest payments, especially if units at the property are not readily convertible to or desirable as units of conventional multifamily properties.

Manufactured Housing Community Loans: These loans are secured by residential developments that include rental sites for manufactured homes, provide utilities, roads and other infrastructure, and offer certain amenities to the residents. The success of a manufactured housing community depends upon the borrower's ability to lease its sites to owners of manufactured homes and to maintain a high level of occupancy for those sites. Maintaining a high level of occupancy depends not only on the borrower's ability to market the sites to purchasers of manufactured homes but also on the ability of those purchasers to purchase manufactured homes. If occupancy levels are not maintained at an acceptable level, the borrower's cash flow may be adversely affected.

Manufactured housing community loan documents generally prohibit a borrower from engaging in the retail sale of manufactured homes on the mortgaged property or in a lease of a manufactured home that would convert into a sale. A borrower's failure to comply with this prohibition is an event of default under the loan. In addition, a manufactured housing community may be a seniors housing community that restricts occupancy to residents who meet certain age requirements, generally residents who are at least 55 years old. When these age restrictions are present, the mortgage loan documents provide that a failure to comply with the restrictions is an event of default under the loan.

Military Housing Loans: These loans are secured by multifamily properties used primarily or exclusively for the housing of military personnel and families or located in geographic areas that are economically dependent on the presence of a military base. If a borrower is not a governmental entity, successful operation of the property is highly dependent upon the continued occupancy of the property. Deployments of military personnel, reductions in the size of military bases, base closures or changes in military housing plans may cause high vacancy rates, resulting in a borrower being unable to meet the required principal and interest payments.

Rural Rental Housing Loans: These loans are guaranteed by the U.S. Department of Agriculture through its Rural Rental Housing Guaranteed Loan Program and are secured by multifamily properties in smaller cities and towns and rural areas. These housing markets may have a limited number of potential new tenants and an economic base that is concentrated on only one or a few employers. The markets may also have limited availability of professional management for the properties. In addition, these multifamily properties tend to have fewer dwelling units than multifamily properties located in larger cities. These factors and the comparatively greater adverse effect of vacant units on a property's operations may result in a borrower being unable to meet the required principal and interest payments. If the loans in a pool are secured by properties subject to restrictions on tenant income, occupancy and/or rent, the successful operation of the properties may depend upon additional factors.

Seniors Housing Loans: A borrower's ability to find and retain residents for seniors housing at satisfactory occupancy levels depends not only on the typical factors affecting multifamily properties in a specific market but also on the quality of the special services rendered to the residents of the related property. Governmental regulations may apply to seniors housing properties. In addition, licensing of the property operators and the properties may be required where the mix of units includes units designated for assisted living or Alzheimer's/dementia care or any units approved for skilled nursing care. Failure to comply with the regulations and licensing requirements may cause operations at a facility to be curtailed or stopped entirely, which would have a substantial adverse effect upon the income received from the facility operations and the ability of the borrower

to make monthly payments on the seniors housing loan. A failure to comply may also result in the termination of the facility's manager/operator and the need to engage a qualified operator upon short notice, which could have a substantial adverse effect upon the operations of the facility and, therefore, upon the borrower's cash flow.

A seniors housing property may operate under an operating lease or a management agreement. Our loan documents generally provide that a default under an operating lease or a management agreement is a default under the loan. In addition, a number of seniors housing properties owned and/or operated by affiliated entities may operate under a master operating lease that applies not only to the seniors housing mortgaged property securing a loan in a pool but also to the other related senior housing properties not securing the loan in the pool. A master operating lease often provides that a default related to one seniors housing property causes a default under the lease for all of the seniors housing properties subject to the lease. If a default under a master operating lease by a related seniors housing property caused a default under the lease that applies to the seniors housing mortgaged property, it may trigger an event of default under the loan in the pool.

In any of these cases, a default on the mortgage loan may result in acceleration and payment in full of the loan, accelerating the rate of principal payment on your certificates and affecting your yield.

Your certificates may be backed by pools containing mortgage loans secured by a multifamily property that is encumbered by a condominium regime.

We do not acquire multifamily loans secured by operating condominium projects. In some cases, however, either before or after the related certificates are issued, a borrower may receive all necessary permits and approvals to operate a new property under a condominium ownership arrangement or to convert an existing property to a condominium ownership arrangement but may decide instead to operate the property as a rental property. In these circumstances, the related loan documents require that the borrower operate the property as a rental property and prohibit the borrower from modifying the condominium documents or selling any condominium unit during the term of the loan without the lender's prior written consent. The borrower's failure to comply with these requirements could trigger an event of default under the mortgage loan.

In other cases, a multifamily property operated as a rental property is part of an overall condominium project bound by the restrictions and requirements set forth in the condominium documents for the larger project. In these circumstances, the related loan documents generally require that the borrower pay all amounts required by, and comply with the provisions of, the condominium documents. The borrower's failure to comply with the condominium documents could trigger an event of default under the mortgage loan.

In still other cases, the borrower may not own all of the residential units in a multifamily property with a condominium regime that is instead operated as a rental property. If the borrower does not own all of the residential units, it is likely that the entire property continues to be bound by the restrictions and requirements of the condominium regime and subject to the risk described in the preceding paragraph. Moreover, the mortgage loan documents generally require the borrower to use reasonable efforts to purchase the units held by third parties when those units become available for sale and add the purchased units to the mortgaged property collateral for the mortgage loan. The borrower's failure to comply with these requirements could trigger an event of default under the mortgage loan.

In any of these cases, an event of default may result in acceleration and payment in full of the loan, accelerating the rate of principal payment on your certificates and affecting your yield. See ***“THE MULTIFAMILY MORTGAGE LOANS—Additional Characteristics of Multifamily Loans—Mortgaged Property Encumbered by Condominium Regime”*** for further information.

Subordinated Financing

If a mortgaged property securing a mortgage loan in your pool also secures another loan or other indebtedness, a default on the other loan or indebtedness may adversely affect the loan in your pool.

If the mortgage loan documents so provide, a default on a mortgage loan in your pool may occur even if the borrower has been making full and timely payments of principal and interest on the loan.

- If a loan in your pool is a subordinate lien loan, a default on a senior loan secured by the same mortgaged property will cause a default on the subordinate loan in your pool.
- If a loan in your pool is a senior lien loan and a subordinate loan or other indebtedness secured by the same mortgaged property already exists or is later originated, a default on the subordinate loan or other indebtedness may cause a default on the loan in your pool even though that loan is senior to the defaulted subordinate loan or other indebtedness.
- If a loan in your pool is cross-defaulted with another loan secured by a different mortgaged property, a default on the cross-defaulted loan will cause a default on the loan in your pool. If the loans are also cross-collateralized, the mortgaged property securing the loan in your pool is available as security for the other loan and may be sold if the other loan defaults.

In each of these cases, we may accelerate payment of both the defaulted loan and the loan in your pool, accelerating the payment of principal on your certificates and affecting your yield.

Mezzanine Financing and Preferred Equity

A mezzanine loan may reduce the cash flow available to a mortgaged property securing a mortgage loan in your pool.

A mezzanine loan may have been, or may be, made to an entity with direct or indirect equity ownership interests in a mortgage borrower obligated on a mortgage loan in your pool. The mezzanine loan would be secured by a pledge of these equity interests. Although the mezzanine loan documents generally require that cash flow from the mortgaged property be used first for all payments due under the mortgage loan, including debt service, repairs and reserves, any decrease in the cash flow from the mortgaged property may decrease the cash flow available for payments on the mezzanine loan and cause the mezzanine borrower to default on the mezzanine loan.

If a mezzanine borrower defaults on a mezzanine loan, the mezzanine lender is generally permitted to foreclose on the equity interests pledged as security for the mezzanine loan. The possibility of such a foreclosure may lead the mezzanine borrower to file for bankruptcy, which could negatively affect the operation of and cash flow from the mortgaged property. If the decreased cash flow adversely affects the mortgage borrower's ability to make the required payments on the mortgage loan, the mortgage loan may go into default.

If the mortgage loan borrower defaults for any of these reasons and we declare the entire unpaid principal balance of the mortgage loan due and payable, the stated principal balance of the loan will be passed through to certificateholders.

If a mezzanine lender forecloses on pledged equity interests, there would be a change in control of the mortgage borrower.

A mortgage loan in your pool may have a mezzanine loan associated with it. The mezzanine loan would be secured by a pledge of direct or indirect equity ownership interests in the mortgage borrower. If the mezzanine lender forecloses on these pledged equity interests, the mezzanine lender will become the direct or indirect owner of the mortgage borrower, thereby causing a change in control of the mortgage borrower. The mezzanine lender may decide to sell the mortgaged property

securing the mortgage loan, which could result in the payment in full of the mortgage loan if the mortgage loan is not assumed. If the mortgage loan is prepaid, the stated principal balance of the loan will be passed through to certificateholders, along with the certificateholders' share, if any, of any prepayment premiums that are actually collected.

An entity may have a preferred equity interest in the borrower obligated on a mortgage loan in your pool, which may reduce the cash flow available to the related mortgaged property. In some cases, if a preferred equity investor is not paid in accordance with the terms of the preferred equity arrangement, there could be a change in control of the mortgage borrower.

The borrower obligated on a mortgage loan in your pool may have an ownership structure that provides for a preferred return or payment priority to certain direct or indirect equity investors in the borrower. The transaction documents generally provide that cash flow from the mortgaged property must be used first for all payments due under the mortgage loan, including debt service, repairs and reserves. However, any decrease in the cash flow from the mortgaged property may decrease the cash flow available for payments on the preferred equity and cause the borrower to default on its obligations to the preferred equity investor, which may have a right to receive a minimum return or payment on its equity investment. In some cases, if the cash flow from the mortgaged property is not sufficient to pay the preferred equity investor the minimum return or payment, the preferred equity investor may become entitled to control the mortgage borrower. If such a change in control occurred, the preferred equity investor may decide to sell the mortgaged property securing the mortgage loan, which would result in the payment in full of the mortgage loan unless the loan is assumed by the purchaser. If the mortgage loan is prepaid, the stated principal balance of the loan will be passed through to certificateholders, along with the certificateholders' share, if any, of any prepayment premiums that are actually collected.

Borrower Ownership Structures

Certain borrower structures may result in events of default or early prepayment of the related mortgage loans.

A mortgage loan in your pool may be secured by a mortgaged property owned by a tenancy-in-common borrower. The related mortgage loan documents generally restrict certain transfers of interests in the tenancy-in-common and may prohibit the tenancy-in-common parties from amending the tenancy-in-common agreement or taking other specified actions without our consent. The failure of a tenancy-in-common borrower to comply with these provisions would be an event of default under the loan, which may result in acceleration and prepayment in full of the loan, resulting in a prepayment of principal to certificateholders. If the mortgage loan is prepaid, the stated principal balance of the loan will be passed through to certificateholders, along with the certificateholders' share, if any, of any prepayment premiums that are actually collected.

A borrower or a holder of equity interests in the borrower may have a limited term of existence that is scheduled to end before the maturity date of a mortgage loan, which may result in the borrower's having an incentive to sell the related mortgaged property before the termination date. In some cases, the prepayment premium period ends at the same time that the limited term of existence ends. If the mortgaged property is sold, the mortgage loan may be prepaid or it may be assumed by a new borrower that itself has a limited term of existence or is owned directly or indirectly by an entity with a limited term of existence. If the mortgage loan is prepaid, the stated principal balance of the loan will be passed through to certificateholders, along with the certificateholders' share, if any, of any prepayment premiums that are actually collected.

If we own or acquire an indirect equity interest in the owner of a mortgaged property securing a loan in your pool, we may have a conflict of interest with respect to the property.

We may hold a direct or indirect equity interest in the owner of a multifamily property that secures a mortgage loan in your pool and is serviced by the primary servicer. If the borrower

defaults on the mortgage loan, we may be required to allow either the primary servicer, or a party not affiliated with Fannie Mae or the transaction, to take or approve the taking of certain actions. In addition, we may own a direct or indirect interest in a mezzanine lender that made a mezzanine loan to the owner(s) of a borrower obligated on a mortgage loan in your pool. If the mezzanine borrower defaults on the mezzanine loan, we may foreclose on the pledged equity interests in the borrower pledged by the mezzanine borrower, thereby becoming a direct or indirect owner of the borrower. As an owner of the borrower, we, in our corporate capacity, could exercise our rights as an equity holder to take, or approve the taking of, certain actions. In either case, the actions that may be taken or approved by us or on our behalf could cause an early payment of principal on your certificates, which could affect your yield.

The primary servicer of a mortgage loan in your pool may own or acquire a direct or indirect equity interest in the owner of the mortgaged property securing a mortgage loan in your pool, creating a possible conflict of interest.

The primary servicer of a mortgage loan may have a non-controlling equity interest in an entity that directly or indirectly controls the borrower, creating a potential conflict of interest. If the borrower defaults on the loan, we may take a more active role in reviewing or approving the taking of certain actions related to the resolution of the delinquency that would otherwise be the case.

External Factors

Supply and demand in the related markets, adverse economic conditions and other unfavorable factors may have a significant adverse effect on multifamily properties and cash flow.

Repayment of loans secured by multifamily properties typically depends primarily upon the successful operation of the related properties rather than upon the existence of independent income or assets of the borrowers. A number of factors, many of which are beyond the control of the property owner, may adversely affect the ability of a multifamily property to generate sufficient net operating income to pay debt service and to maintain its value.

These factors include the following:

- changes in national, regional or local economic and employment conditions that may cause reductions in occupancy levels, limits on or reductions in rents, or increases in the number of rent payments received late;
- local real estate conditions, including the existence or construction of competing or alternative residential properties, including other apartment buildings and complexes, manufactured housing communities and single-family housing;
- demographic factors;
- the age, quality, design and location of the multifamily property;
- the willingness and ability of the borrower or property manager to operate and maintain the multifamily property in a successful manner;
- significant increases in utility costs, taxes, insurance premiums and other operating costs;
- borrower bankruptcy or other insolvency;
- governmental regulations designed to protect tenants in connection with rent increases and evictions;
- government actions that limit access to the multifamily property or result in seizure of the property; and
- uninsured natural disasters, terrorist attacks or other criminal acts of destruction or violence.

Reduced cash flow from a property may impair a borrower's ability to repay the loan, causing a default on the loan. A default on the loan may result in the acceleration of the mortgage loan and the prepayment of principal on your certificates.

Catastrophic events may damage, destroy or cut off access to a multifamily property securing a loan in your pool, causing a borrower to default on the mortgage loan.

In some cases, insurance proceeds either may not be available or may be inadequate to repair or replace a mortgaged property damaged or destroyed by a catastrophic event. In other cases, a property may not be damaged or destroyed but governmental authorities may restrict or prohibit access by tenants to the property or surrounding area. In either case, the resulting loss of rents, especially if extended for a lengthy period, may cause a default under the related loan. Moreover, unless the loan is a structured transaction DUS loan, we have the option to purchase the loan out of a pool if the value of the related mortgage property declines by 5% or more due to a catastrophic event.

If a loan is prepaid in whole or in part because insurance proceeds are applied, or if an event of default results in the entire unpaid principal balance of the loan being paid in full, you will receive an early distribution of principal from the mortgage loan. If we collect a prepayment premium in this case, certificateholders will not share in the premium.

RISKS RELATING TO LIQUIDITY

There may be no market for the certificates, and we cannot assure you that a market will develop and continue.

We cannot be sure that each new issuance of certificates, when issued, will have a ready market, or, if a market does develop, that the market will remain active during the entire term for which your certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the certificates. Therefore, it is possible that if you wish to sell your certificates in the future, you may have difficulty finding potential purchasers.

Some of the factors that may affect the resale of certificates include the following:

- our financial condition and rating;
- our future structure, organization, and the level of government support for the company;
- whether we are in conservatorship or receivership;
- any increase or decrease in the level of governmental commitments to engage in market purchases of our certificates;
- the method, frequency and complexity of calculating principal or interest on the mortgage loans or the certificates;
- the age of the mortgage loans in the pool;
- the outstanding principal balance of the mortgage loans in the pool;
- the prepayment features or other characteristics of the mortgage loans in the pool;
- the availability of current information about the mortgage loans in the pool;
- the outstanding principal amount of certificates of that issuance and other issuances with similar features offered for resale from time to time;
- the minimum denominations of the certificates;
- any significant reduction in our securitization volume due to a decline in mortgage loan originations by our principal lenders and sellers that have experienced liquidity or other major financial difficulties;
- any legal restriction or tax treatment that limits the demand for the certificates;

- the availability of comparable securities;
- market uncertainty;
- the level of interest rates generally, the volatility with which prevailing interest rates are changing, and the direction in which interest rates are, or appear to be, trending; and
- the financial condition and rating of the seller and the primary servicer of the mortgage loans backing the certificates.

There may be restrictions on your ability to include your certificate in another Fannie Mae securitization.

Certificateholders sometimes choose to exchange their certificates representing interests in different pools for a single Fannie Mae mortgage-backed security (usually a Mega or an SMBS) backed by those certificates, which is generally referred to as a resecuritization. If we discover discrepancies in the data related to a pool or to one or more of the mortgage loans backing a pool that cannot be resolved promptly, certificates for that pool or backed by those mortgage loans may be restricted from resecuritization until the data discrepancies have been resolved. While a certificate is so restricted, it is still eligible to be sold, transferred or otherwise hypothecated; it cannot, however, be resecuritized into another Fannie Mae mortgage-backed security. A list of pools whose certificates are restricted from resecuritization is available by clicking “Securities Ineligible for Resecuritization” in the “Data Collections” section on the Multifamily MBS Web page on our Web site. The list is updated monthly. If the data discrepancies are resolved, the certificates will be removed from the restricted certificate list and become eligible for resecuritizations.

The requirements limiting our mortgage portfolio assets may adversely affect the liquidity of your certificates.

Our mortgage portfolio assets include a substantial amount of our certificates. We have traditionally been an active purchaser of our certificates for a number of reasons, including helping to provide market liquidity for the certificates. The requirements limiting our mortgage portfolio assets may restrict our ability to purchase our certificates, which may impair the liquidity of your certificates. See our most recent Form 10-K for a description of the required cap on and reduction in our mortgage assets.

RISKS RELATING TO CREDIT

Fannie Mae Credit Factors

If our credit becomes impaired, a buyer may be willing to pay only a reduced price for your certificates.

There could be an adverse change in our liquidity position or financial condition that impairs our credit rating and the perception of our credit. Even if we were to make all payments required under our guaranty, reduced market liquidity may make it more difficult to sell your certificates, and potential buyers may offer less for your certificates than they would have offered if our liquidity position or financial condition had remained unchanged.

We could fail to meet our obligations under a Fannie Mae debt instrument that was delivered as substitute collateral when a multifamily mortgage loan was defeased.

If a borrower so requests, we will deliver a Fannie Mae obligation that will serve as substitute collateral for a loan that is being defeased. Upon delivery, the borrower is released from further liability under the loan. If, however, we fail to pay, or our financial condition prevents us from paying, the required payments of principal and interest on the defeased loan, and if we did not or could not pay under our guaranty, you would not receive any payments of principal or interest on your certificates that were to be funded by the payments on the substitute collateral.

If we failed to pay under our guaranty, the amount distributed to certificateholders could be reduced and the timing of distributions could be affected.

Borrowers may fail to make timely payments on the underlying mortgage loans. In addition, an entity that is under contract to perform servicing functions for us (a “primary servicer”) may fail to remit borrower payments to us. In either case, we are responsible for making payments under our guaranty. However, we could fail to make the payments required under our guaranty to a trust if (i) our financial condition prevented us from fulfilling our guaranty obligations with respect to the certificates, or (ii) we were placed into a new conservatorship or into receivership and could not or did not fulfill our guaranty obligations. In that case, certificateholders would receive from the trust only the amounts paid on the underlying mortgage loans, which are generally limited to borrower payments and other recoveries on the loans. As a result, delinquencies and defaults on the underlying mortgage loans or a primary servicer’s failure to remit borrower payments to the trust would adversely affect the amounts that certificateholders received each month.

As conservator, FHFA has certain rights to transfer our assets and liabilities, including our guaranty.

For so long as we remain in the current conservatorship, FHFA, as conservator, has the right to transfer or sell any of our assets or liabilities, including our guaranty obligations, without any approval, assignment or consent from us or any other party. However, during the current conservatorship FHFA has no authority to repudiate any contracts entered into after we were placed into conservatorship, including our guaranty related to the certificates we issue during the current conservatorship. The Federal Housing Finance Regulatory Reform Act of 2008 (the “2008 Reform Act”) does not restrict the rights of holders of certificates issued during the current conservatorship.

If FHFA were to place us into receivership directly from the current conservatorship, or if we emerge from conservatorship and at a later date FHFA were to place us into a new conservatorship or into receivership, FHFA would have certain rights to transfer our assets and liabilities and to repudiate our existing contracts.

If FHFA were to place us into receivership directly from the current conservatorship, or if we emerge from the current conservatorship and at a later date FHFA were to place us into a new conservatorship or into receivership, FHFA would have all of the authority of a new conservator or a receiver, which would allow it to exercise certain powers that could adversely affect certificateholders, as described below.

Transfer of Guaranty Obligations. FHFA would have the right to transfer or sell any of our assets or liabilities, including our guaranty obligations, without any approval, assignment or consent from us or any other party. If FHFA, as conservator or receiver, were to transfer our guaranty obligations to another party, certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

Repudiation of Contracts. Under the circumstances described in the next sentence, FHFA could repudiate any contract entered into by us before it was appointed as a new conservator or as receiver, including our guaranty obligations to the trusts described in this prospectus. FHFA may repudiate a contract, including our guaranty, if it determines in its sole discretion that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae’s affairs. The 2008 Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as a new conservator or receiver.

If FHFA, as a new conservator or as receiver, were to repudiate our guaranty obligations, the conservatorship or receivership estate would be liable for damages as of the date of the new conservatorship or the receivership under the 2008 Reform Act. However, any such liability could be

satisfied only to the extent that our assets were available for that purpose. Thereafter, certificateholders would receive from the trust only the amounts paid on the underlying mortgage loans, which are generally limited to borrower payments and other recoveries on the loans. As a result, delinquencies and defaults on the underlying mortgage loans or a primary servicer's failure to remit borrower payments to the trust would adversely affect the amounts that certificateholders would receive each month. In addition, trust administration fees would be paid from mortgage loan payments before any distributions would be made to certificateholders. As a result, any damages paid as the result of the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

Rights of Certificateholders. Holders of certificates issued before and during the current conservatorship, including the certificates offered by this prospectus, are granted certain rights under the trust documents (as defined under "**DESCRIPTION OF THE CERTIFICATES**"). If we are placed into a new conservatorship or into a receivership, however, these rights may not be enforceable against FHFA, or enforcement of those rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a new conservator or a receiver, certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of certificateholders consents. Nevertheless, the 2008 Reform Act may prevent certificateholders from enforcing their rights to replace Fannie Mae as trustee if the event of default arises solely because a new conservator or receiver has been appointed.

If we are placed into a new conservatorship or receivership and do not or cannot fulfill our guaranty obligations, certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. See "**THE TRUST DOCUMENTS—Certificateholders' Rights Upon a Guarantor Event of Default.**" Certificateholders have certain limited rights to proceed against the U.S. Department of the Treasury ("Treasury") if we fail to pay under our guaranty. However, the total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. See "**FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement.**"

Seller Credit Factors

If a seller becomes insolvent, the certificateholders' interests in the mortgage loans could be affected.

In certain cases, we may permit the seller of the mortgage loans or an affiliate of the seller to act as our document custodian. Upon a bankruptcy or receivership of the seller or its affiliate that acts as our custodian, the mortgage loans may be exposed to the claims of other creditors of the seller. If the seller was also the primary servicer of the mortgage loans and, as a result of such claims, was unable to remit part or all of the amounts received on the mortgage loans, we would make the required payments to certificateholders under our guaranty. Additionally, in the event of a bankruptcy or receivership of a seller, a court could determine that the mortgage loans were not sold to us but instead were pledged to us to secure a financing. Courts may also deny our standing to enforce delinquent mortgage loans if we cannot adequately prove our ownership. In either instance, if the seller was unable to remit part or all of the amounts received on the mortgage loans, we would make payments in the amount of any deficiency. If we fail to pay pursuant to our guaranty, however, the amount distributed to certificateholders could be reduced. See "**THE MULTIFAMILY MORTGAGE LOAN POOLS—Assignment of Mortgage Loans; Delivery and Custody of Mortgage Loan Documents.**"

Servicer Credit Factors

If a primary servicer begins experiencing financial difficulties or becomes insolvent, the collections on the mortgage loans could be affected.

If a primary servicer experiences financial difficulties or becomes insolvent, its ability to effectively service mortgage loans may become impaired as its focus is more directed toward rebuilding

financial strength through measures such as staff reductions. In some cases it may become necessary to transfer servicing to another more effective servicer. Less robust servicing practices before, during, or after the transition to a new servicer can exacerbate loan delinquencies and borrower defaults. Although our guaranty of timely payment of principal and interest covers borrower delinquencies and defaults, an increase in borrower delinquencies and defaults could result in acceleration of prepayments on your certificates, if we decide to exercise our option to purchase the delinquent loans from a pool. See **“THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools.”**

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. Our charter does not permit us to originate loans and lend money directly to consumers in the primary mortgage market. Our most significant activities are securitizing mortgage loans originated by lenders into Fannie Mae mortgage-backed securities and purchasing mortgage loans and mortgage-backed securities for our mortgage portfolio. Fannie Mae has been securitizing mortgage loans since 1981 and has issued over \$8.3 trillion of mortgage-related securities during that time. We have been the largest issuer of mortgage-related securities since 1990. We serve as the trustee of all trusts for our mortgage-related securities. See **“THE TRUST DOCUMENTS”** for further information about our role as trustee.

We obtain funds to purchase mortgage-backed assets for our mortgage portfolio by issuing a variety of debt securities in the domestic and international capital markets. We also make other investments that increase the supply of affordable housing.

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, 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 SEC and 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 2008 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”** in our most recent Form 10-K.

In September 2008, Fannie Mae, 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 "commitment"). 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").

The December 24, 2009 amendment to the senior preferred stock purchase agreement modified the maximum amount of Treasury's funding commitment, providing that the maximum amount will increase as necessary to accommodate any "net worth deficits" (the amount by which our total liabilities exceed our total assets) for calendar quarters in 2010 through 2012. For any net worth deficits after December 31, 2012, Treasury's maximum remaining funding commitment at any determination date will be the "available amount," which equals \$124.8 billion (\$200 billion less our cumulative draws through March 31, 2010, which related to calendar years 2008 and 2009) *less* the *smaller* of *either* (a) our positive net worth as of December 31, 2012, *or* (b) our cumulative draws from Treasury for the calendar quarters in 2010 through 2012.

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 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 will be calculated by applying the annual dividend rate of 10% to the outstanding liquidation preference of the senior preferred stock.

Effective January 1, 2013, the method for calculating the dividends paid on the senior preferred stock will change. 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 will be \$3 billion for 2013, and 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 the outstanding common stock of Fannie Mae (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 2011 Form 10-K.

We are dependent upon the continued support of Treasury to eliminate our net worth deficit, 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 guaranty obligations, associated with the certificates and other mortgage-backed securities issued by us. The senior preferred stock purchase agreement is intended to enhance our ability to meet our obligations. Certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Treasury, see "**—Certificateholders' 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 certificateholders may have against our assets or under our charter arising from their status as certificateholders, other than their right to payment, resolution or other satisfaction of their claims as permitted under the 2008 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.

Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement

Certificateholders are granted certain rights under the trust documents (as defined below) if a guarantor event of default occurs. See **“THE TRUST DOCUMENTS—Certificateholders' Rights Upon a Guarantor Event of Default.”** Moreover, under the senior preferred stock purchase agreement, certificateholders are given certain limited rights against Treasury if (i) we default on our guaranty obligations, (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 certificates 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.

USE OF PROCEEDS

We usually issue certificates in swap transactions, in which the certificates are issued in exchange for the multifamily mortgage loan or loans in the pool that backs the certificates. In some instances, we may issue certificates backed by pools of multifamily loans that we have held in our loan portfolio for a period of time. (We refer to these pools as “portfolio pools.”) If we sell certificates backed by a portfolio pool, we generally receive cash proceeds from the related dealers. If a lender sells an MBS to an investor at a premium over its face value, in some cases we may share with the lender a portion of the premium paid by the investor. Unless otherwise stated in the prospectus supplement, we apply the cash proceeds to the purchase of other mortgage loans and for other general corporate purposes.

DESCRIPTION OF THE CERTIFICATES

This prospectus relates to certificates issued on and after November 1, 2012 under our 2010 Multifamily Master Trust Agreement, effective October 1, 2010 (as amended or replaced from time to time, the “trust agreement”). For information about certificates issued before November 1, 2012, see the related Multifamily MBS prospectus that was in effect at the time those certificates were issued. There is a specific issue supplement to the trust agreement for each issuance of certificates. We refer to the trust agreement and the related issue supplement as the “trust documents.”

General

The certificates represent fractional undivided beneficial ownership interests in a distinct pool of multifamily mortgage loans, or a pool of participation interests in multifamily mortgage loans, held in a trust created under the trust documents. We will hold the mortgage loans in our capacity as trustee for the benefit of all the holders of certificates of the same issuance. The fractional undivided interest of each certificate will be equal to the initial principal balance of that certificate divided by the aggregate stated principal balance of the loans in the related pool on the issue date.

Occasionally, if so stated in the prospectus supplement, the certificates represent fractional undivided beneficial ownership interests in a pool of participation certificates, rather than in a pool of whole mortgage loans. Many of the participation interests that we acquire and deposit in a pool are participation interests in loans being made by non-profit organizations, state and local housing finance agencies, and affordable housing organizations. We will hold the participation certificates in our capacity as trustee for the benefit of all holders of certificates of the same issuance. Although the description of the certificates throughout this prospectus is based on the assumption that the certificates represent interests in whole loans, the description of the certificates generally applies to certificates backed by participation interests as well, unless stated otherwise in the prospectus supplement.

Issuance in Book-Entry Form

We will issue the certificates in book-entry form using the book-entry system of the U.S. Federal Reserve Banks (the “Federal Reserve Banks”), unless we specify a different method in the prospectus supplement. Book-entry certificates must be issued in minimum denominations of \$1,000 with additional increments of \$1. They are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Any transfers are subject to the minimum denomination requirements.

A certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of the certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial owners of the certificates. If a certificateholder is not also the beneficial owner of a certificate, the certificateholder and all other financial intermediaries in the chain between the certificateholder and the beneficial owner are responsible for establishing and maintaining accounts for their customers. A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary that maintains an account for you.

The Federal Reserve Bank of New York currently serves as our fiscal agent pursuant to a fiscal agency agreement. In that capacity, it performs certain administrative functions for us with respect to certificateholders. Neither we nor a Federal Reserve Bank will have any direct obligation to the beneficial owner of a certificate who is not also a certificateholder. We and a Federal Reserve Bank may treat the certificateholder as the absolute owner of the certificate for all purposes, regardless of any contrary notice you may provide.

The Federal Reserve Bank of New York also currently serves as our paying agent. In that capacity it credits the account of the certificateholder when we make a distribution on the certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the certificate.

Settlement

Settlement will occur on a business day in the calendar month in which the certificates are issued.

Distributions on Certificates

Unless otherwise specified in the related prospectus supplement, we will make distributions to certificateholders on the 25th day of each month or, if the 25th day is not a business day, on the next business day. We refer to this date as a “distribution date.” We will make the first payment for each issuance of certificates on the distribution date in the month following the month in which the certificates are issued. For example, if an issue date is March 1, the first distribution date for that issuance will be April 25 or, if April 25 is not a business day, the first business day following April 25. A business day is any day other than a Saturday or Sunday, a day when a fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or, with respect to any required withdrawal for remittance to a paying agent, a day when the Federal Reserve Bank is closed in a district where a certificate account is maintained if the related withdrawal is being made from that certificate account. We will pay the certificateholder that is listed as of the record date as the holder in the records of any Federal Reserve Bank. Unless otherwise specified in the related prospectus supplement, the record date is the close of business on the last day of the month immediately before the month in which the distribution date occurs.

Interest Distributions

On each distribution date, we will distribute to certificateholders one month’s interest, calculated on the certificate’s outstanding principal balance immediately prior to that distribution date.

- For fixed-rate pools, we will distribute one month’s interest at the fixed pass-through rate specified in the prospectus supplement.
- For adjustable-rate pools, we will distribute one month’s interest at a variable pass-through rate (based on the rates of interest accruing on the underlying mortgage loans), which we refer to as the pool accrual rate. The initial pool accrual rate is specified in the related prospectus supplement.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of interest, the amount of interest distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a loan while it remains in the trust.

Interest Accrual Basis

We will calculate the amount of interest due on the certificates each month on the basis stated in the prospectus supplement. The two most common methods used are explained below. Under both of these methods, a year is assumed to consist of 360 days.

- *30/360 method*: If interest on the mortgage loan is calculated on a 30/360 basis, the amount of interest payable each month is based on the assumption that each month consists of 30 days and is calculated by multiplying the applicable interest rate times the unpaid principal balance of the loan, dividing the product by 360, and multiplying the result by 30.
- *Actual/360 method*: If interest on the mortgage loan is calculated on an actual/360 basis, the amount of interest payable each month is based on the actual number of calendar days during the month and is calculated by multiplying the applicable interest rate times the unpaid principal balance of the loan, dividing the product by 360, and multiplying the result by the actual number of days elapsed during the month.

See “**THE MULTIFAMILY MORTGAGE LOANS—General Characteristics of Multifamily Loans—Method for Calculating Interest.**” Because the Federal Reserve calculates interest distribution amounts on a 30/360 basis, the interest rate on pools backed by loans using the actual/360 method is converted to a 30/360 basis before interest is paid to certificateholders.

If another method is used for calculating interest on a mortgage loan, the method will be identified and described in the prospectus supplement.

Principal Distributions

On each distribution date, we will distribute to certificateholders as principal an amount equal to the aggregate of the following amounts:

- the scheduled principal due on the mortgage loan or loans in the pool during the related due period;
- the aggregate amount of all unscheduled principal payments received during the period specified below:
 - the stated principal balance of each mortgage loan as to which a prepayment in full was received during the calendar month immediately preceding the month in which that distribution date occurs,
 - the stated principal balance of each mortgage loan that was purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs, and
 - the amount of any partial prepayment of a mortgage loan that was received during the calendar month immediately preceding the month in which that distribution date occurs.

The stated principal balance of a mortgage loan is the principal balance of the loan as of the issue date of the certificates, reduced by all payments of principal paid to certificateholders after that date with respect to that loan.

The due period for each distribution date is the period that (i) begins on the second calendar day of the calendar month before the month in which the distribution date occurs and (ii) ends on the first calendar day of the month in which that distribution date occurs. For example, for a May 25 distribution date, the first day of the related due period is April 2 and the last day is May 1.

In certain cases, the first distribution for an issuance of certificates may consist of only interest (with no principal) from one or more loans in the related pool. Whether the first distribution on your pool includes principal from any particular amortizing mortgage loan in the pool depends upon the date on which the mortgage loan was deposited into the pool. The example below assumes that an amortizing mortgage loan was originated in March with the borrower's first principal payment due on May 1.

- If the mortgage loan was deposited into the pool and the related certificates were issued in April, the first distribution date for the certificates would be May 25. Because the borrower's first monthly payment of interest and principal payment is due on May 1, interest and principal from the May 1 payment will be distributed to certificateholders on May 25.
- If the mortgage loan was deposited into the pool and the related certificates were issued in March, the first distribution date for the certificates would be April 25. Because no principal payment is due from the borrower on April 1, interest but no principal from that loan will be distributed to certificateholders on April 25. Principal from the borrower's first monthly payment of principal and interest (due on May 1) will be distributed to certificateholders on May 25.

The prospectus supplement will indicate the percentage of mortgage loans in a pool, if any, that have no scheduled principal payment until the second due period after the issue date of the certificates. The date of each mortgage note will be specified on the related Multifamily Schedule of Loan Information.

We may treat any prepayment of principal in full received on the first business day of a month as if the prepayment were received on the last business day of the preceding month. In that case, we will pass through the prepayment on the distribution date in the same month in which the prepayment actually was received. For example, a prepayment in full received on the first business day of April may be treated as if it had been received on the last business day of March and will be passed through on April 25 (or on the next business day, if April 25 is not a business day).

For purposes of distributions to certificateholders, mortgage loans with monthly payments due on a date other than the first of the month are treated as if the monthly payments were due on the first day of the following month. As a result, on the Pool Statistics page for a pool with these types of loans, the first payment date, the initial interest rate change date (in the case of ARM loans), and the latest loan maturity date will be shown as the first day of the month following the month in which each date actually occurs. As a result of these adjustments, you will receive distributions at a date later than you otherwise would have received them. This delay may reduce the yield on your certificates.

For any mortgage loan in a pool, the amount of scheduled principal payments passed through to certificateholders will be affected by any change made to the amortization schedule of the loan that results from a borrower prepayment. Any such change to the amortization schedule may cause a reduction in the scheduled principal payment for that loan to be passed through to certificateholders each month. The amount of principal distributed on a distribution date may also reflect a correction of any error in an earlier distribution of principal that resulted in an overpayment or underpayment of principal on an earlier distribution date.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of the principal amounts specified above, the amount of principal distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a loan while it remains in the trust.

In certain instances, a distribution date for principal prepayments may differ slightly from the description above. For example, sometimes the primary servicer is unable to provide us with prepayment information in time to allow us to include the prepayment in the monthly pool factor for a distribution date. In addition, in instances of a natural disaster, terrorist attack, or other similar catastrophic event, we may not receive reporting information from the primary servicer in time to reflect on a distribution date the payments actually received by the primary servicer. In those instances, we will distribute to certificateholders on a distribution date only the scheduled principal amount (and accrued interest). Any principal prepayments that were received but not reported in a timely manner will be distributed to certificateholders on the first distribution date that follows our receipt and reconciliation of the required prepayment information from the primary servicer.

Reports to Certificateholders

Monthly Reports

As our paying agent, the Federal Reserve Bank of New York provides a monthly report to each certificateholder listed as the holder in the records of any Federal Reserve Bank. The report includes the information specified below with respect to each payment, adjusted to reflect each certificateholder's pro rata interest in the related pool as of the distribution date:

- the amount due on the certificates on that distribution date on account of interest;
- the amount due on the certificates on that distribution date on account of total scheduled and unscheduled principal;
- the total cash distribution on the certificates on that distribution date;

- the principal balances of the certificates on that distribution date after giving effect to any distribution of principal on that date; and
- for adjustable-rate pools, the pool accrual rate for that distribution date.

Tax Information

We will post on our Web site, or otherwise make available, information required by the federal income tax laws. See “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Information Reporting and Backup Withholding.**”

THE TRUST DOCUMENTS

The certificates offered hereby are issued pursuant to the terms of the trust documents. We have summarized below certain provisions of the trust documents. This summary is not complete and may be modified by specific provisions described in the prospectus supplement for a specific issuance of certificates. If there is any conflict between the information in this prospectus and the specific provisions of the trust documents, the terms of the trust documents will govern. You may obtain a copy of the trust agreement from our Washington, DC office or our Web site at www.fanniemae.com. You may obtain a copy of the issue supplement that applies to your issuance of certificates from our Washington, DC office.

The trust documents provide the trustee with no authority to issue or invest in additional securities, to borrow money or to make loans.

Fannie Mae Guaranty

We are the guarantor under the trust agreement. We guarantee to each trust that we will supplement amounts received by the trust as required to permit payments on the certificates on each distribution date in an amount equal to:

- one month’s interest on the certificates, as described under “**DESCRIPTION OF THE CERTIFICATES—Distributions on Certificates—Interest Distributions**”; plus
- the aggregate amount of scheduled and unscheduled principal payments described under “**DESCRIPTION OF THE CERTIFICATES—Distributions on Certificates—Principal Distributions.**”

For fixed-rate pools, we guarantee payment of interest at the fixed pass-through rate specified in the prospectus supplement. For adjustable-rate pools, we guarantee payment of interest at the then-current variable pool accrual rate.

In addition, we guarantee to the trust that we will supplement amounts received by the trust as required to make the full and final payment of the unpaid principal balance of the certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the certificates. For providing this guaranty, we receive a fee payable from a portion of the interest collected on the mortgage loans that is not required to be paid to certificateholders.

If a primary servicer informs us that a borrower has become subject to the Servicemembers Civil Relief Act or any similar federal or state laws that provide interest rate ceilings or other credit-related relief to members of the armed forces (a “Relief Act”), and we have not exercised our option to purchase the loan from the pool (as described below), we will make payments to the trust under our guaranty for the difference between the amount of interest actually received from the borrower and the amount of interest calculated without regard to the Relief Act.

We do not guarantee to any trust the payment of any prepayment premiums.

If we were unable to perform our guaranty obligations, certificateholders would receive from the related trust only the payments actually made by borrowers, any delinquency advances made by the

primary servicer and any other recoveries on the mortgage loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. As a result, delinquencies and defaults on the mortgage loans would directly affect the amount of principal and interest that certificateholders would receive each month. In that case, distributions of principal and interest on the mortgage loans would be made in the sequence specified below (to the extent the following amounts are due but not already paid):

- *first*, to payment of the trust administration fee and other amounts due to the trustee (see “**—Certain Matters Regarding Our Duties as Trustee**”);
- *second*, (i) to payment of any securitized excess servicing fees, and (ii) if so provided in the related servicing contract, to payment of all servicing fees and any excess servicing fees that were not securitized (see “**FANNIE MAE PURCHASE PROGRAM—Servicing Compensation and Payment of Certain Expenses**”);
- *third*, to reimbursement of any unreimbursed delinquency advances previously made by the primary servicer or master servicer from its own funds, to the extent those advances are deemed non-recoverable by the advancing party;
- *fourth*, to payment of interest on the certificates; and
- *last*, all remaining funds to payment of principal on the certificates.

Our guaranty runs directly to each trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. See “**—Certificateholders’ Rights Upon a Guarantor Event of Default.**” Certificateholders also have limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. The amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. See “**FANNIE MAE—Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.**”

We alone are responsible for making payments on our guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

Purchases of Mortgage Loans from Pools

Under the trust agreement, we are required in some instances, and have the option in other instances, to purchase from a pool a mortgage loan or real estate acquired as a result of a default (“real estate owned property” or “REO property”). Moreover, under certain conditions, we have the right to require a seller to purchase a mortgage loan from a pool. In each instance, the purchase price for a mortgage loan will be equal to the stated principal balance of the loan plus one month’s interest at the pass-through rate for a fixed-rate loan or at the then-current pool accrual rate for an ARM loan. The purchase price for REO property will be equal to the stated principal balance of the related mortgage loan plus one month’s interest at the pass-through rate or pool accrual rate that would have applied if the loan were still outstanding. The purchase of a mortgage loan or REO property will result in a prepayment of principal in full in the same manner as would a borrower’s prepayment in full except that no share of any prepayment premium is payable to certificateholders in connection with the purchase. See “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT— Purchases of Mortgage Loans from Pools/Substitution of Mortgage Loans in Pools.**”

Mandatory Purchases by Issuer

We are required as the issuer of the certificates to purchase a mortgage loan or REO property from a pool for the reasons specified below. The time period within which we must purchase the loan or REO property varies depending upon the reason for the purchase.

First, if any of the following events occurs, we must purchase, or cause the mortgage loan seller to purchase, the affected loan from a pool as soon as practicable:

- we determine that our acquisition of the mortgage loan was not authorized and that a purchase of that mortgage loan is necessary to comply with applicable law;
- a court or governmental agency requires us to purchase the mortgage loan from the pool to comply with applicable law;
- a governmental unit, agency or court requires one of the following:
 - the transfer (other than a transfer to a co-borrower or a transfer permitted under the loan documents or the trust agreement) of the mortgage loan, mortgaged property, defeasance securities (which are securities delivered as substitute collateral upon the defeasance of a loan) or other supplemental collateral (such as cash or letters of credit delivered as additional collateral), including a transfer required as a result of an environmental hazard or as part of a settlement of a legal controversy, or
 - the full or partial destruction of any improvements located on the mortgaged property if, as a result, the remaining improvements are rendered uninhabitable or unsafe or the value of the property no longer provides adequate security for the mortgage loan; or
- an insurer or guarantor of the mortgage loan or the mortgaged property (other than Fannie Mae under our guaranty) requires transfer to it of the mortgage loan or the REO property to obtain the benefits of the mortgage insurance or guaranty.

Second, if the mortgage loan is in default with respect to payments of principal and interest, we must purchase the affected loan no later than the date on which the loan becomes 24 months past due, measured from the date on which the last installment of interest and, if required, principal was paid in full, unless one of the following has occurred or is occurring with respect to the mortgage loan:

- the borrower is complying with a loss mitigation alternative under which past due payments are required to be paid in full and the mortgage loan is required to be brought current;
- the borrower and the primary servicer or master servicer are pursuing a preforeclosure sale of the related mortgaged property or a deed-in-lieu of foreclosure;
- the primary servicer or master servicer is pursuing foreclosure of the mortgage loan;
- applicable law (including bankruptcy law, probate law or a Relief Act) requires that foreclosure on the related mortgaged property or other legal remedy against the borrower or related mortgaged property be delayed and the period for delay or inaction has not elapsed;
- the mortgage loan is in the process of being assigned to the insurer or guarantor (other than to Fannie Mae under our guaranty) that provided any related mortgage insurance; or
- any other event occurs or course of action is taken as a result of which the period before the required purchase of the mortgage loan from the pool may be extended without adverse tax consequences to the trust (as evidenced by an opinion of tax counsel satisfactory in form and substance to the issuer and the trustee).

The mandatory purchase feature described in “*Second*” applies until such time as we receive an opinion of counsel to the effect that removal of the loan is no longer required to maintain the status of the trust as a fixed investment trust for federal income tax purposes.

Third, on the final distribution date for any trust, we must purchase from a pool any outstanding mortgage loan remaining in the pool or any REO property that remains in the trust on that date.

Optional Purchases by Issuer

The trust agreement provides that we, as issuer of the certificates, may purchase a mortgage loan or REO property from a pool for any of the following reasons:

- the existence of a material breach of a representation or warranty relating to the mortgage loan that was made in connection with the sale of the loan to us or a material defect in the related mortgage loan documents;
- the failure of the mortgage loan to conform in any material respect to its description in the prospectus supplement or issue supplement;
- a delinquency of at least 30 days with respect to any of the first four consecutive payments (or any of the first eight consecutive payments, in the case of a biweekly mortgage loan) following the day on which the mortgage loan was sold to us, regardless of whether the delinquency is continuing at the end of the period (provided, however, that our option to purchase the mortgage loan will be available only for 90 days following the fourth payment due date (or for 90 days following the eighth payment due date in the case of a biweekly mortgage loan));
- an assumption of the mortgage loan or a transfer of an interest in the related mortgaged property (or a transfer of an interest in the borrower or a key principal) under circumstances that would trigger acceleration under a due-on-sale provision reasonably believed by either the master servicer or primary servicer to be enforceable under the terms of the mortgage note and the trust agreement (a “key principal” is an affiliate of the borrower that directly or indirectly manages and controls the borrower and that is determined by a lender to be critical to the successful operation of the borrower or the mortgaged property);
- an assumption of a mortgage loan that is full recourse to the borrower under circumstances that the master servicer reasonably believes will result in a taxable event under the Internal Revenue Code;
- damage to the related mortgaged property (other than a mortgaged property securing an advance under a DUS structured transaction arrangement) due to a disaster, terrorist attack or other catastrophe that was not caused by the borrower or key principal if the catastrophic event caused the property to suffer a reduction of at least 5% of its value as compared with its value at the time (i) the mortgage loan was originated, (ii) the related mortgaged property was first pledged as collateral for the loan, or (iii) the loan was deposited into the related trust;
- a borrower elects to convert an ARM loan to a fixed-rate loan pursuant to the terms of the related mortgage note (provided, however, that our current policy requires us to purchase the loan from the pool before the effective date of the conversion);
- a borrower exercises a conditional modification option in the related loan documents (provided, however, that our current policy requires that we purchase the loan from the pool before the effective date of the modification unless (i) the modification results from a transfer or assumption permitted under the loan documents or the trust agreement, (ii) the prospectus supplement provides otherwise, or (iii) one of the following applies:
 - a borrower exercises an option under a fixed-rate loan to extend the term of the loan and change the interest rate from the then-current fixed rate to a new fixed rate (in which case our current policy permits us to decide at any time before the initial maturity date whether to exercise our option to purchase the loan from the pool), or
 - a borrower exercises an option under a fixed-rate loan to extend the term of the loan and convert the loan from a fixed-rate loan to an ARM loan (in which case our current policy requires that the loan remain in the pool after the conversion option is exercised);

- a borrower elects to change the applicable index for an ARM loan pursuant to the terms of the related mortgage note (provided, however, that our current policy requires that we purchase the loan from the pool before the effective date of the modification unless the prospectus supplement provides otherwise); or
- the mortgage margin or the maximum or minimum interest rate on an ARM loan changes upon the assumption of the loan by a new borrower pursuant to the terms of the related mortgage note (provided, however, that our current policy requires that we purchase the loan from the pool before the effective date of the modification unless the prospectus supplement provides otherwise).

Optional Purchases by Guarantor

The trust agreement also provides that we, as guarantor, may purchase a mortgage loan or REO property from a pool for any of the following reasons:

- the mortgage loan has been in a state of continuous delinquency without having been fully cured with respect to payments required by the related mortgage loan documents during the period extending from the first missed payment date through the fourth consecutive payment date (or through the eighth consecutive payment date, in the case of a biweekly mortgage loan) without regard to:
 - whether any particular payment was made in whole or in part during the period extending from the earliest payment date through the latest payment date,
 - any grace or cure period with respect to the latest such payment date under the related mortgage documents, and
 - any period during which a loss mitigation alternative is in effect (unless the loss mitigation alternative is deemed to have cured the payment default);
- a court approves a plan that:
 - affects any of the following terms of the mortgage loan: its interest rate, its principal balance, the amount or timing of its principal or interest payments, its term or its last scheduled payment date, or
 - authorizes the transfer or substitution of all or part of the related mortgaged property, defeasance securities or supplemental collateral;
- compliance with applicable laws (including a Relief Act) requires a change in any of the terms of the mortgage loan (including a change in its interest rate, its principal balance, its amortization schedule, the timing of its payments or its last scheduled payment date);
- the mortgaged property is acquired by the related trust as REO property; or
- the mortgage loan is no longer secured by assets of the type contemplated by the related mortgage documents.

Purchases for Loan Modifications

We allow lenders to purchase from a pool and then modify certain non-performing loans under terms specified in the trust agreement and in our servicing policies and procedures. The trust agreement permits servicers that are servicing our performing loans to modify loans while the loans are in our pools so long as the modification is made with our prior consent and in accordance with the trust agreement. For pools containing multifamily mortgage loans insured by the Federal Housing Administration (“FHA”) or guaranteed by the U.S. Department of Agriculture (“USDA”) through its Rural Rental Housing Guaranteed Loan Program, however,

FHA or USDA may require that loans be modified as a part of the respective entity's loss mitigation strategy. Before any modification may be made to an FHA-insured or USDA-guaranteed mortgage loan that would affect the interest rate, the timing or amount of monthly payments or the loan term, the loan will be purchased from the pool. See "**FANNIE MAE PURCHASE PROGRAM—Multifamily Mortgage Loan Eligibility Standards—Underwriting Guidelines,**" for a discussion of certain guidelines that apply to FHA and USDA mortgage loans. The purchase of FHA-insured or USDA-guaranteed loans for the purpose of modification will result in the prepayment of principal of the certificates and will have the same effect as borrower prepayments.

Substitution of Mortgage Loans in Pools

A mortgage loan may be withdrawn from the related pool and another mortgage loan substituted in its place if:

- the master servicer or the trustee is advised by counsel (who are not inside counsel and employees of the transferor with respect to the related trust) that removal of the mortgage loan from the trust is necessary or advisable to maintain the status of the trust as a fixed investment trust for federal income tax purposes;
- the mortgage loan fails to conform in any material respect to its description in the related prospectus supplement or issue supplement;
- we determine that our acquisition of the mortgage loan was not permitted and that a purchase of the mortgage loan is necessary to comply with applicable law;
- a court or a governmental agency requires us to purchase the mortgage loan from the pool to comply with applicable law;
- a governmental unit, agency or court requires
 - the transfer (other than a transfer to a co-borrower or a transfer permitted under the loan documents or the trust agreement) of the mortgage loan, mortgaged property, defeasance securities or other supplemental collateral (such as cash or letters of credit delivered as additional collateral), including a transfer required as a result of an environmental hazard or as part of a settlement of a legal controversy, or
 - the full or partial destruction of any improvements located on the mortgaged property if, as a result, the remaining improvements are uninhabitable or unsafe or the value of the mortgaged property no longer provides adequate security for the mortgage loan;
- there exists a material breach of a representation or warranty made in connection with the sale of the mortgage loan to us or a material defect in the related mortgage loan documents;
- the loan is delinquent at least 30 days with respect to any of the first four consecutive payments (or any of the first eight consecutive payments, in the case of a biweekly mortgage loan) following the day on which the mortgage loan was sold to us, regardless of whether the delinquency is continuing at the end of the period (provided, however, that our option to purchase the mortgage loan will be available only for 90 days following the fourth payment due date (or for 90 days following the eighth payment due date if the loan is a biweekly mortgage loan)), or
- the mortgage loan has been in a state of continuous delinquency, in whole or in part, without having been fully cured with respect to any payments required by the related mortgage loan documents during the period extending from the first missed payment date through the fourth consecutive payment date (or through the eighth consecutive payment date, in the case of a biweekly mortgage loan) without regard to:
 - whether any particular payment was made in whole or in part during the period extending from the earliest through the latest payment date,

- any grace or cure period under the related mortgage documents with respect to that last payment date, and
- any period during which any loss mitigation alternative is in effect unless the loss mitigation is deemed to have cured the default.

The substitution must occur within the same due period in which the withdrawal occurs and (a) if the withdrawal is caused by an event described in the first or second bullet above, within 90 days after the issue date of the related certificates, or (b) if the withdrawal is caused by an event described in the remaining six bullets above, within two years after the issue date of the related certificates.

Any substitute mortgage loan must satisfy the following criteria at the time of substitution:

- the substitute loan is not delinquent as to any payment;
- the substitute loan's outstanding principal balance does not exceed the stated principal balance of the withdrawn loan at the time of the withdrawal;
- the mortgaged property securing the substitute loan is located in the same state or U.S. territory or in a comparable rental market as the mortgaged property securing the withdrawn loan;
- if the withdrawn loan has a fixed rate of interest, the substitute loan has a fixed rate of interest that is not less than the interest rate of the withdrawn loan;
- if the withdrawn loan is an ARM loan, the substitute loan is an ARM loan with (i) the same or a similar adjustment index, (ii) the same frequency of adjustments, and (iii) margin, interest rate caps and payment caps that are each within 1% of those of the withdrawn loan;
- if the withdrawn loan is a negative amortization loan, the substitute loan is a negative amortization loan;
- the last scheduled payment date of the substitute loan is no later than, and no more than two years earlier than, the last scheduled payment date of the withdrawn loan;
- if the withdrawn loan is a participation interest in a loan, the substitute loan is a participation interest in a loan; and
- if the withdrawn loan is a government mortgage loan, the substitute loan is a government mortgage loan under the same governmental program with the same type of insurance or guaranty.

Not later than the first distribution date after the substitution, we will deposit into the related certificate account the amount, if any, by which the stated principal balance of the withdrawn loan (after giving effect to any principal distributions made on the immediately preceding distribution date or any additions to principal resulting from negative amortization during the immediately preceding due period) exceeds the unpaid principal balance of the substitute mortgage loan on the first day of the month of substitution, together with one month's interest on that excess principal amount calculated at the net rate on the withdrawn loan. (The net rate equals, for a fixed-rate loan, the pass-through rate for the related pool, and for an adjustable-rate loan, the loan interest rate minus the spread rate specified in the related issue supplement.)

Collection and Other Servicing Procedures

We are responsible as the master servicer under the trust agreement for certain duties. Our duties include entering into contracts with primary servicers to service the mortgage loans, supervising and monitoring the primary servicers, ensuring the performance of certain servicing functions if the primary servicer fails to do so, establishing certain procedures and records for

each trust, and taking additional actions as set forth in the trust agreement. Any of the duties of the primary servicer may also be performed by the master servicer. The primary servicers collect payments from borrowers and may make servicing advances, foreclose upon defaulted mortgage loans, and take other actions as set forth in the trust agreement. See “**FANNIE MAE PURCHASE PROGRAM—Seller and Servicer Eligibility**” for information on our primary servicer requirements. Our primary servicers may contract with subservicers to perform some or all of the servicing activities. In addition, we may, from time to time, acquire the servicing rights and become the primary servicer for mortgage loans, in which case we may use a subservicer to conduct the servicing functions. If the servicing rights are transferred to us, the disclosure in our ongoing disclosures for a particular pool will specify “Fannie Mae” as the servicer.

Custodial Accounts

Primary servicers are responsible for collecting payments from borrowers and remitting those payments to us for distribution to certificateholders. No later than two business days following a primary servicer’s receipt of collections from borrowers, the collections must be deposited into a demand deposit account or an account through which funds are invested in specified eligible investments. These accounts, called custodial accounts, must be established with eligible depositories and held in our name as master servicer or as trustee for the benefit of the certificateholders or held in the name of the primary servicer as our agent, trustee or bailee unless otherwise specified in the related servicing contract. An eligible depository may be a (i) Federal Reserve Bank, (ii) Federal Home Loan Bank or (iii) financial institution that has its accounts insured by the Federal Deposit Insurance Corporation (“FDIC”), the National Credit Union Share Insurance Fund (“NCUSIF”) or another governmental insurer or guarantor that is acceptable to us, satisfies the capital requirements of its regulator, and meets specified minimum financial ratings provided by established rating agencies.

During the one-to-two business day period between a primary servicer’s receipt of collections from borrowers and its deposit of those collections into a custodial account, the primary servicer may hold the funds from collections in (x) a deposit account insured by the FDIC, the NCUSIF or other governmental guarantor or insurer acceptable to us, or (y) a clearing account at an eligible depository. The funds from collections held in such an account for that period may be commingled with funds from collections on other mortgage loans without regard to their ownership. In addition, if the related servicing contract so permits, for a period of no more than one business day before the date on which funds from collections are to be remitted to Fannie Mae, a primary servicer may hold the funds from collections in a consolidated drafting account and commingle the funds with funds from collections on other mortgage loans held in other Fannie Mae trusts.

A primary servicer may commingle funds held in custodial accounts with funds from collections on other mortgage loans held in other Fannie Mae trusts. In addition, if a mortgage loan was transferred to a portfolio pool, funds from collections on that loan may be commingled with funds from collections on other mortgage loans owned by Fannie Mae and serviced by the same primary servicer even if the loans are not held in a Fannie Mae trust.

Insured custodial account funds may be entitled to limited benefits under governmental insurance, subject to the rules and regulations of the FDIC or NCUSIF, in the case of a receivership or similar proceeding of an eligible depository. Governmental entities may, from time to time, take measures to alleviate the risk of insurance not being adequate. However, there can be no assurance (i) that any governmental actions will be sufficient to alleviate this risk completely, or (ii) as to how long any measures taken by the governmental entities will remain in effect. If the insurance were inadequate to cover amounts due to certificateholders, we would make payments to cover any amounts required to be paid to certificateholders under the terms of the certificates.

If the related servicing contract so permits, a primary servicer may be permitted to retain interest and investment earnings on funds on deposit in the custodial accounts. Certificateholders are not entitled to any earnings generated from funds in the custodial accounts and are not liable for any losses in the custodial accounts.

Certificate Accounts

Our primary servicers remit borrower collections to us monthly for distribution to certificateholders. These funds are deposited into a certificate account at an eligible depository. Funds held in a certificate account are held by us as trustee in trust for the benefit of certificateholders pending distribution to certificateholders. Amounts in any certificate account are held separately from our general corporate funds but are commingled with funds for other Fannie Mae trusts and are not separated on a trust-by-trust basis. We may invest funds in any certificate account in specified eligible investments, including our own debt instruments. We currently invest substantially all funds in certificate accounts in our own debt instruments. If we were unable or unwilling to continue to do so, the timing of incremental intra-day distributions made on each distribution date could be affected. We are entitled to retain all earnings on funds on deposit in each certificate account as a trust administration fee. See “**—Certain Matters Regarding Our Duties as Trustee**” for a description of the trust administration fee. Primary servicers and certificateholders are not entitled to any earnings generated from funds in a certificate account, and are not liable for any losses in a certificate account.

Master Servicer

We may resign as master servicer at any time by giving 120 days’ written notice of the resignation to the trustee and the guarantor. We may not be removed as master servicer by the trustee or certificateholders unless a guarantor event of default has occurred and is continuing.

If a guarantor event of default has occurred and is continuing while we are the master servicer, the trustee may, or at the direction of holders representing at least 51% of the voting rights of the related trust, the trustee will, terminate all of the rights and obligations of the master servicer with respect to only that trust and the related mortgage loans and their proceeds, by notifying the master servicer of the removal in writing.

Removal of Successor Master Servicer

If Fannie Mae is no longer serving as the master servicer and a successor master servicer has been appointed, the trust documents provide that the successor master servicer for an issuance of certificates may be removed upon any of the following “servicing events of default”:

- the successor master servicer fails to remit, or cause a primary servicer to remit, funds for deposit to a certificate account on the applicable remittance date for payment to certificateholders, and the failure continues uncorrected for one business day after written notice of the failure has been given to the master servicer by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer fails to perform in any material respect any of its other covenants and agreements, and the failure continues uncorrected for 60 days after written notice of the failure has been given to the master servicer by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer ceases to be eligible to serve as master servicer under the terms of the trust agreement; or
- the successor master servicer becomes insolvent; a conservator, receiver or liquidator is appointed (either voluntarily or involuntarily and in the case of an involuntary appointment, the order appointing the conservator, receiver or liquidator has been undischarged or unstayed for 60 days); or the successor master servicer admits in writing that it is unable to pay its debts.

If any servicing event of default occurs with respect to a trust and continues uncorrected, the trustee may or, at the direction of holders of certificates representing at least 51% of the voting

rights of that trust, the trustee will, terminate the rights and obligations of the successor master servicer with respect to only that trust and the related mortgage loans and their proceeds, by notifying the master servicer of the removal in writing.

A successor master servicer appointed immediately following a voluntary resignation of Fannie Mae as master servicer may be removed by the guarantor or, if a guarantor event of default has occurred and has not been cured, by the trustee upon not less than 60 days' written notice to the successor master servicer.

Certain Matters Regarding Our Duties as Trustee

We serve as trustee under the trust agreement and receive a fee for our services to each trust, which is payable from the interest and other earnings on the related certificate accounts. See “—**Fannie Mae Guaranty**” for a description of the payment priorities. Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors. The trustee will not be responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or if we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations to each trust as guarantor under the Fannie Mae guaranty.

We are indemnified by each trust for actions we take in our capacity as trustee in connection with the administration of that trust. Officers, directors, employees, and agents of the trustee are also indemnified by each trust with respect to that trust. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith, gross negligence or willful disregard of our duties.

The trust agreement provides that the trustee may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of certificateholders. We may be reimbursed for the legal expenses and costs of the action from the assets of the related trust.

We may resign from our duties as trustee under the trust agreement upon providing 90 days' notice to the guarantor. Our resignation will not become effective until a successor has assumed our duties. We may be removed as trustee only if a “guarantor event of default” has occurred with respect to a trust. See “—**Guarantor Events of Default**.” In that case, we can be removed (and then replaced by a successor trustee) as to the related trust by holders of certificates representing at least 51% of the voting rights of that trust. Even if our duties as trustee under the trust agreement terminate, we would continue to be obligated under our guaranty.

Removal of Successor Trustee

If Fannie Mae is no longer serving as the trustee and a successor trustee has been appointed, the trust documents provide that the successor trustee for an issuance of certificates may be removed upon any of the following “trustee events of default”:

- the successor trustee fails to deliver to the paying agent all required funds for distribution (to the extent the successor trustee has received the related funds), and the failure continues uncorrected for 15 days after written notice to the successor trustee of nonpayment and a demand that the failure be cured has been given to the successor trustee by either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of certificates representing at least 5% of the voting rights of the related trust;
- the successor trustee fails to fulfill any of its other obligations under the trust documents, and the failure continues uncorrected for 60 days after written notice to the successor trustee of the failure and a demand that the failure be cured has been given to the successor trustee by either the guarantor or, if a guarantor event of default has occurred and is

continuing, the holders of certificates representing at least 25% of the voting rights of the related trust;

- the successor trustee ceases to be eligible to serve as trustee under the terms of the trust agreement and fails to resign;
- the successor trustee becomes substantially incapable of acting as trustee, or a court or the regulatory entity that has primary supervisory authority over the successor trustee determines, under applicable law and regulation, that the successor trustee is unable to remain as trustee; or
- the successor trustee becomes insolvent; a conservator or receiver is appointed (either voluntarily or involuntarily, and in the case of an involuntary appointment, the order appointing the conservator or receiver has been undischarged or unstayed for 60 days); or the successor trustee admits in writing that it is unable to pay its debts.

If any trustee event of default occurs with respect to a trust and continues uncorrected, the guarantor (or if a guarantor event of default has occurred and is continuing, the master servicer) may, and if directed by holders of certificates representing at least 51% of the voting rights of the related trust will, remove the successor trustee and appoint a new successor trustee.

A successor trustee may also be removed without cause by the guarantor at any time (unless a guarantor event of default has occurred and is continuing) and, upon such removal, the guarantor may appoint another successor trustee within 90 days after the date that notice is given to the former successor trustee.

Guarantor Events of Default

Any of the following events will be considered a “guarantor event of default” for an issuance of certificates:

- we fail to make a required payment under our guaranty, and our failure continues uncorrected for 15 days after written notice of the failure and a demand that the failure be cured have been given to us by the holders of certificates representing at least 5% of the voting rights of the related trust;
- we fail in any material way to fulfill any of our other obligations under the trust documents, and our failure continues uncorrected for 60 days after written notice of the failure and a demand that the failure be cured have been given to us by the holders of certificates representing at least 25% of the voting rights of the related trust; or
- we become insolvent, a receiver or a new conservator is appointed (either voluntarily or involuntarily, and in the case of an involuntary appointment, the order appointing the receiver or new conservator has been undischarged or unstayed for 60 days) or we admit in writing that we are unable to pay our debts.

Certificateholders’ Rights Upon a Guarantor Event of Default

A certificateholder generally has no right under the trust agreement to institute any proceeding against us with respect to the trust agreement. A certificateholder may institute such a proceeding only if a guarantor event of default has occurred and is continuing and

- the holders of certificates representing at least 25% of the voting rights of the related trust have requested in writing that the trustee institute the proceeding in its own name as trustee; and
- the trustee has neglected or refused to institute any proceeding for 120 days.

The trustee will be under no obligation to take any action or to institute, conduct or defend any litigation under the trust agreement at the request, order or direction of any certificateholder

unless the certificateholders have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities that the trustee may incur.

Future Limitations on Certificateholders' Rights under the Trust Agreement

Certificateholders' rights may be limited during a receivership or future conservatorship. If we are placed into receivership or if we emerge from the current conservatorship and are placed into conservatorship once again, certificateholders' rights to remove us as trustee or master servicer may be restricted. In addition, if we are placed into receivership or are again placed into conservatorship, FHFA will have the authority to repudiate or transfer our guaranty obligations as well as our other obligations under the trust documents for each issuance of certificates. If that occurred, certificateholders would have only the right to proceed against Treasury that is described in "**FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement.**" See also "**RISK FACTORS—RISKS RELATING TO CREDIT—Fannie Mae Credit Factors.**"

Voting Rights

If any certificate is beneficially held by a party (including us) determined under applicable accounting rules to be the transferor of mortgage loans, the certificate may be voted by the transferor to the same extent as certificates held by any other holder, subject to the conditions specified in the following two paragraphs.

Certificates that are beneficially held by us, as guarantor, will be disregarded and deemed not to be outstanding for purposes of determining whether a guarantor event of default has occurred and is continuing, or whether to remove the trustee or master servicer when a guarantor event of default has occurred and is continuing. In all other matters with respect to a trust, certificates that are beneficially owned by us, as guarantor, may be voted by us, as guarantor, to the same extent as certificates held by any other holder. If, however, we, as guarantor, beneficially own 100% of the certificates of a trust, those certificates owned by us, as guarantor, may be voted by us without restriction.

Certificates that are beneficially held by a successor trustee will be disregarded and deemed not to be outstanding for purposes of determining whether a trustee event of default has occurred and is continuing, or whether to remove that successor trustee when a trustee event of default has occurred and is continuing. In all other matters with respect to a trust, certificates that are beneficially owned by a successor trustee may be voted by that successor trustee to the same extent as certificates held by any other holder. If, however, a successor trustee beneficially owns 100% of the certificates of a trust, those certificates owned by that successor trustee may be voted by that successor trustee without restriction.

Amendment

No Consent Required

We may amend the trust documents for an issuance of certificates without notifying or obtaining the consent of the certificateholders to do any of the following:

- correct an error, or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or a prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that the cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents;
- modify the trust documents as necessary to maintain the fixed investment trust status of a trust for federal income tax purposes, as evidenced by an opinion of counsel to that effect satisfactory in form and substance to the issuer and the trustee; or

- make any other amendment so long as the amendment will not (i) materially and adversely affect the interests of any certificateholder or (ii) have any material adverse tax consequences to certificateholders, as evidenced by an opinion of counsel to that effect satisfactory in form and substance to the issuer and the trustee.

An amendment to cure an ambiguity in, or supplement a provision of, the trust documents that would otherwise require the consent of 100% of the certificateholders cannot be made without that consent.

100% Consent Required

We may amend the trust documents for an issuance of certificates to take any of the following actions only with the consent of 100% of the certificateholders of the related issuance of certificates:

- terminate or change our guaranty obligations;
- reduce or delay payments to certificateholders;
- reduce the percentage requirement of certificateholders who must give their consent to any waiver or amendment; or
- take an action that materially increases the taxes payable in respect of a trust or affects the status of the trust as a fixed investment trust for federal income tax purposes.

51% Consent Required

We may amend the trust documents for any reason other than the reasons set forth in “***—No Consent Required***” and “***—100% Consent Required***” only with the consent of holders of certificates with aggregate certificate principal balances of at least 51% of the aggregate certificate principal balance of an issuance of certificates.

Termination

The trust will terminate with respect to an issuance of certificates when the certificate principal balance of the related pool has been reduced to zero and all distributions have been passed through to certificateholders. In no event will any trust continue beyond the last day of the 60th year following the issue date of that trust. We do ***not*** have any clean-up call option; that is, we cannot terminate any trust solely because the unpaid principal balance of the related pool declines to a specified amount or reaches a specified percentage of the original unpaid principal balance of the pool.

Merger

The trust agreement provides that if we merge or consolidate with another corporation, the successor corporation will be our successor under the trust agreement and will assume all of our duties under the trust agreement, including our guaranty.

YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Effective Yield

Your yield will depend in part upon whether you purchase a certificate at a discount from or a premium over its outstanding principal balance. In general, if you purchase a certificate at a discount from its outstanding principal balance and the mortgage loans are prepaid at a rate that is slower than you expect, the yield on your certificate will be lower than you expect. If you purchase a certificate at a premium over its outstanding principal balance and the mortgage loans are

prepaid at a rate that is faster than you expect, the yield on your certificate also will be lower than you expect. ***You must make your own decision about the pool or loan level prepayment assumptions you will use in deciding whether to purchase the certificates. We do not provide delinquency experience or decrement tables for the certificates.***

Although interest on the certificates accrues during a calendar month, we do not distribute interest to certificateholders until the distribution date in the following calendar month. Because of this delay, the effective yield on the certificates will be lower than it would be if we distributed interest earlier.

Your yield will depend upon the type of certificates that you own. We issue fixed-rate certificates backed by loans with fixed-rates throughout their terms, adjustable-rate certificates backed by loans with variable rates throughout their terms, and hybrid certificates backed by loans with characteristics of both fixed-rate and adjustable-rate loans (“hybrid loans”).

Yield on Fixed-Rate Certificates

Certificates backed by fixed-rate mortgage loans bear interest at a fixed rate of interest that remains the same throughout the term of the loans. A complete description of fixed-rate loans and their characteristics and of pools containing fixed-rate loans may be found in “**THE MULTIFAMILY MORTGAGE LOANS—Fixed-Rate Mortgage Loans.**”

The effective yield on fixed-rate certificates may be affected if one or more loans in your pool are prepaid, in whole or in part, during the term of the certificates. In addition, an involuntary or a permitted voluntary partial prepayment of principal on a loan may result in reamortization of the remaining principal balance of the loan, which would cause a change in the amount of principal and interest paid by a borrower and a corresponding change in the amount of principal and interest passed through to certificateholders, affecting your yield. See “**—Maturity and Prepayment Considerations—Reamortization of Principal.**” A prepayment in full will result in the stated principal balance of the prepaid loan being distributed to certificateholders. Moreover, if the prepaid loan is the only loan in the pool, the pool would be terminated.

Yield on Adjustable-Rate Certificates

Certificates backed by ARM loans bear interest at a variable rate that is based on the interest rates of the loans in the pool. Those interest rates adjust based upon changes in the value of a stated index. The method by which the index value is determined, the way in which the index value changes, the actual changes in the interest rates on the ARM loans in the pool and other features of the ARM loans will affect the yield on the related certificates. See “**THE MULTIFAMILY MORTGAGE LOANS—Adjustable-Rate Mortgage Loans (ARM Loans)**” for information regarding the different types of ARM loans and the methods for adjusting their interest rates. See also “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT**” for a discussion of the possible effect on your yield of changes in index values and interest rates.

The effective yield on the certificates is also the result of the combined effect of some or all of the following factors:

- ***The index.*** All ARM loans in a single pool have the same index, which will be identified in the prospectus supplement.
- ***Initial fixed-rate period.*** The ARM loans in a pool may have an initial interest rate that is not based on the index. If so, and if the first interest rate change date on any loan in the pool has not occurred before the issue date of the certificates, the certificates will have an initial pool accrual rate that does not reflect the index. In some pools, not all of the loans have the same first interest rate change date. The pool accrual rate will not reflect the index until all of the loans in the pool have had their first interest rate change date. The prospectus supplement will indicate whether the first interest rate change date on the loans in your pool occurred before the issue date of the certificates.

- ***Mortgage margin.*** The mortgage margin for each ARM loan in a pool is specified in the related mortgage note. On each interest rate change date, the interest rate on each ARM loan is adjusted to equal the sum of the mortgage margin and the index value determined as of a date specified in the mortgage note. The result is rounded according to the rounding convention stated in the mortgage note or, if none is stated, to three decimal points or as otherwise specified in the prospectus supplement.
- ***Index change frequency.*** If the interest rates on the ARM loans in a pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index. Thus, a change in the index value does not necessarily cause an immediate change in the pool accrual rate. The pool accrual rate is affected only as, and to the extent that, the ARM loans in the pool experience interest rate changes.
- ***Interest rate change date.*** Some or all of the ARM loans in a pool may have different interest rate change dates. As a result, the index values upon which the related interest rate changes are based may vary among the loans in a pool at any given time.
- ***Lookback period.*** The lookback period for an ARM loan in a pool creates a lag between the index value upon which interest rate changes on the loan are based and the index value in effect at the time the interest rate on the loan actually adjusts. The lookback period, which may vary among the ARM loans in a pool, will be specified in the prospectus supplement.
- ***Interest rate cap and floor.*** Following a change in the index value, interest rate caps and floors may prevent the interest rate on ARM loans in a pool from increasing as high or declining as low as they would have in the absence of interest rate caps or floors. As a result, the yield paid on the certificates may be affected whenever ARM loans in a pool are subject to interest rate caps or floors.
- ***Prepayments and purchases of loans from pools.*** A pool may contain ARM loans with different interest rates. Certificateholders receive a rate of interest that is equal to the weighted average of the loan interest rates, less the fee percentage (the sum of the servicing fee and our guaranty fee) on the loans. (Weighting is based on the stated principal balance of each ARM loan then remaining in the pool.) Thus, the resulting rate of interest for certificateholders will change whenever an ARM loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases among loans of different interest rates may increase or decrease the effective yield to certificateholders.
- ***Reamortization of principal.*** An involuntary or permitted voluntary partial prepayment may result in reamortization of the remaining principal balance of a loan, which would cause a change in the amount of principal and interest paid by a borrower and a corresponding change in the amount of principal and interest passed through to certificateholders, affecting your yield. See “**–Maturity and Prepayment Considerations– Reamortization of Principal.**”
- ***Low initial interest rates.*** In a few cases, prevailing market interest rates may be so low that the initial interest rate for an ARM loan in a pool is less than the applicable mortgage margin specified in the mortgage note. As a result, the interest rate on such an ARM loan may not be set at a rate greater than or equal to the applicable mortgage margin until after the first interest rate change has occurred.

A more detailed description of ARM loans and their characteristics and of pools containing ARM loans may be found in “**THE MULTIFAMILY MORTGAGE LOANS—Adjustable-Rate Mortgage Loans (ARM Loans)**” and “**–Hybrid Mortgage Loans.**”

Yield on Hybrid Certificates

Certificates backed by hybrid loans have both fixed-rate and adjustable-rate characteristics. The loan documents for a hybrid loan will provide one of the following: (i) the loan is an ARM loan that may be converted to a fixed-rate loan during a specified period of time; (ii) the loan is a fixed-rate loan until late in its term, at which time the loan will convert to an ARM loan; (iii) the loan is a fixed-rate loan until late in its term, at which time its term may be extended and the loan converted to an ARM loan; (iv) the loan is a fixed-rate loan until late in its term, at which time its term may be extended and a new fixed-rate of interest set. Hybrid loans include Convertible ARM Loans, Fixed+1 Loans, Extended Maturity Loans, and Step-Rate Extended Maturity Loans, which are described below and in “**THE MULTIFAMILY MORTGAGE LOANS—Hybrid Mortgage Loans.**”

Convertible ARM Loans

Some ARM loans permit a borrower to convert the loan to a fixed-rate loan. The trust agreement gives us the option to purchase the loan from the pool upon such a conversion; however, our current policy requires that we purchase the loan from the pool no later than the calendar month before the loan begins to accrue interest at the new fixed rate. The borrower is not required to pay a prepayment premium in this case. The purchase of the loan will accelerate the rate of principal payment on your certificates, affecting your yield. As a result, the weighted average life of a pool of convertible ARM loans may be significantly shorter than the weighted average life of a comparable pool of non-convertible ARM loans. See “**THE MULTIFAMILY MORTGAGE LOANS—Hybrid Mortgage Loans—Convertible ARM Loans.**”

Fixed+1 Loans

Some mortgage loans have a fixed rate of interest until the last year of their terms. At that time, without any action by the borrower, the loan will convert to an ARM loan and accrue interest at a variable rate of interest during the final year of its term. The trust agreement does not permit us to purchase a loan from a pool upon such a conversion. Interest passed through each month during the final year will be based on the adjustable rate of interest applicable during the last preceding interest rate period, which rate may be lower than the original fixed rate, affecting your yield. See “**THE MULTIFAMILY MORTGAGE LOANS—Hybrid Mortgage Loans—Fixed+1 Loans.**”

Extended Maturity Loans

Some mortgage loans with a fixed rate of interest permit a borrower to extend the term of the loan and change the type of interest from fixed to variable. After the extension, a variable rate of interest will apply to the loan throughout the extended term. The trust agreement gives us the option to purchase the loan from the pool upon an extension; however, our current policy requires that the loan remain in the pool. Interest passed through each month during the extended term will be based on the adjustable rate of interest applicable during the last preceding interest rate period, which rate may be lower than the original fixed rate, affecting your yield. See “**THE MULTIFAMILY MORTGAGE LOANS—Hybrid Mortgage Loans—Extended Maturity Loans.**”

Step-Rate Extended Maturity Loans

Some fixed-rate mortgage loans permit a borrower to extend the term of the loan and change the then-current fixed rate of interest to a different fixed rate of interest. After the extension, the new fixed rate of interest will apply to the loan throughout the extended term. The trust agreement gives us the option to purchase the loan from the pool upon an extension. Our current policy permits us to decide at any time after notice of the decision to extend the term (but before the initial maturity date) whether to purchase the loan from the pool. If the loan remains in the pool,

interest passed through each month during the extended term will be based on the new fixed rate, which rate may be lower or higher than the original fixed rate, affecting your yield. If we purchase the loan from the pool, principal will be passed through to certificateholders on the distribution date in the month following the purchase. The borrower is not required to pay a prepayment premium in this case. A purchase of the loan will accelerate the rate of principal payment on your certificates, affecting your yield. See **“THE MULTIFAMILY MORTGAGE LOANS—Hybrid Mortgage Loans—Step-Rate Extended Maturity Loans.”**

Maturity and Prepayment Considerations

The weighted average life of an issuance of certificates will depend upon the extent to which each payment on the mortgage loan or loans in the pool is applied to principal rather than to interest. For a description of the types of multifamily mortgage loans that may be included in a pool, see **“THE MULTIFAMILY MORTGAGE LOANS.”**

Types of Multifamily Loans

Amortizing Loans

Many multifamily loans have equal monthly payments that are calculated on the basis of an amortization schedule (typically 25 or 30 years) that is longer than the term (typically 7 to 10 years) of the loan. The remaining principal balance becomes due in a lump sum, or balloon payment, on the loan’s contractual maturity date. Only a small portion of the principal amount of the loan will have amortized before the balloon payment on the loan is due. These loans may be fixed-rate or ARM loans.

Some multifamily loans provide for full amortization of principal over their terms. These loans may include fixed-rate loans as well as ARM loans that are reamortized each time the payment is adjusted. Most payments on these loans are allocated to interest in the early years, with greater portions of the payments allocated to principal as the loans remain outstanding. A fully amortizing loan may have an unpaid principal balance at its maturity date, especially if interest on the loan is calculated on an actual/360 basis. Because the remaining unpaid principal balance will represent only a small percentage of the original principal balance, we do not characterize fully amortizing loans as balloon loans.

Interest-Only Loans

Some mortgage loans provide for the payment of only interest during all or part of their term. Certificateholders whose certificates are backed by pools of interest-only loans will receive only interest during the applicable interest-only period (which may be an initial period or the entire term of the loan), except to the extent of borrower prepayments during the interest-only period that are involuntary, permitted or required by the loan documents. As a result, assuming no prepayments by the borrower, there is no amortization of principal of a loan that is interest only for all of its term, and the amortization of principal of a loan that is interest only for part of its term is slower than that of a loan of the same term and interest rate that provides for monthly payments of principal and interest for its entire term.

Prepayments of Multifamily Loans

Prepayments of multifamily loans may occur for a variety of reasons. Some of the most common reasons are discussed in this section. The reasons are not all equally applicable to all pools, as they relate in part to features of the loans that differ among pools. Because of these variables, we do not provide estimates of the future prepayment experience of the loans in our pools. See our most recent Form 10-K for recent information regarding the prepayment experience of our multifamily loan portfolio. This prepayment experience is not, however, indicative of any one pool of multifamily loans, including the pool backing your certificates.

If a mortgage loan is prepaid in full for any reason, the stated principal balance of the loan will be passed through to certificateholders. Many multifamily loans require the borrower to pay a prepayment premium if a loan is prepaid during a stated portion of its term (the “prepayment premium period”). The prospectus supplement will disclose any lockout period and prepayment premium period. See “—**Prepayment Premiums**” for a further discussion of prepayment premiums. If a pool contains only one mortgage loan, as is the case with many multifamily pools, a prepayment of the loan will cause the pool to be terminated and the proceeds to be passed through to you.

Voluntary Prepayments

A borrower may decide to pay down or pay off a mortgage loan. Many multifamily loans permit voluntary prepayments in full at any time and others permit voluntary prepayments in full only after expiration of a “lockout” period. Some multifamily loans may permit voluntary partial prepayments under certain limited circumstances. In that case, the prospectus supplement will specify when voluntary partial prepayments are permitted.

Borrower Refinancings

When a borrower refinances a mortgage loan in a pool, the proceeds from the borrower’s new loan pay off the loan in the pool, resulting in a prepayment of principal for the certificateholders. Borrowers seek to refinance their loans for a number of reasons. One common reason is that current interest rates on new loans have declined below the interest rates on existing loans. It is difficult to predict how low interest rates must decline before significant numbers of loans are refinanced, resulting in prepayments. In the past, many lenders (in some cases in conjunction with us) instituted streamlined refinance procedures and liberalized fee structures and underwriting guidelines for refinance loans. These actions contributed to an increase in the number of borrowers for refinance loans and to a decrease in the interest rate differential that would make refinancing attractive to borrowers. More recently, however, lenders have imposed stricter underwriting guidelines for refinance loans, making it more difficult for many borrowers to refinance their loans even though interest rates are at historic lows. Moreover, the requirement found in many multifamily loans that a borrower pay a prepayment premium if a loan is prepaid may lessen the effect of declining interest rates and limit the attractiveness of refinancing.

It is a common practice in some states, including the states of Florida, Maryland, and New York, to modify an existing mortgage loan in lieu of doing a traditional refinance where the previous mortgage loan is extinguished and a new mortgage loan is created. We treat these modifications as refinancings, resulting in prepayment of principal to certificateholders.

Sales of Mortgaged Properties

Prepayments may increase when market values for multifamily properties increase in a geographic area. Many multifamily loans require a borrower to pay a prepayment premium if a loan is prepaid, which, in some instances, may lessen the likelihood of a borrower pursuing a sale despite increased market values. However, the increased market value of the mortgaged property may exceed the amount of the prepayment premium, thereby lessening the deterrent effect of the prepayment premium. If a mortgaged property is sold and the purchaser does not assume the related mortgage loan, proceeds from the sale will pay off the loan in the pool, resulting in a prepayment of principal to certificateholders, and the passing through of the certificateholders’ share of any prepayment premium collected.

Assumptions and Transfers

Most multifamily loans permit the lender to require payment in full if the borrower sells or transfers either the related mortgaged property or ownership interests in the borrower without the consent of the lender. However, with certain exceptions, loans that are non-recourse to the

borrower are generally permitted to be assumed by a new borrower (or direct or indirect ownership interests are permitted to be transferred to a transferee) so long as the new borrower/transferee meets our then-current standards of creditworthiness and management ability. If a loan is being assumed, the new borrower/transferee generally is required to execute an assumption agreement. Although transfer fees and/or assumption fees are generally required for both transfers and assumptions, we may waive those fees in our discretion. If we receive any transfer fee and/or any assumption fee in connection with an assumption or a transfer, no portion of the fee will be shared with certificateholders.

Non-Recourse Loans with Guaranty. A borrower or a related party (a “payment guarantor”) may guarantee the payment of all or part of a non-recourse loan (a “payment guaranty”). The payment guaranty may be in effect for the life of the loan, for a limited period of time or until specified conditions have been satisfied. To comply with tax rules applicable to fixed income trusts, non-recourse loans with a payment guaranty may not be assumed by a third party other than in certain limited conditions (estate planning and similar events). As a result, if a mortgage loan in your pool has a payment guaranty and the borrower sells the related mortgaged property while the payment guaranty is in effect, the borrower is likely to be required to pay the loan in full, along with any required prepayment premium. If the borrower fails to pay off the loan, we have the option under the trust agreement to purchase the loan from the pool if the loan is assumed. In either case, there would be an early prepayment of principal to certificateholders.

Recourse Loans. A loan may be a recourse loan from origination, in which case its character is disclosed on the related Multifamily Schedule of Loan Information, or it may become recourse during its term. See “**THE MULTIFAMILY MORTGAGE LOANS—General Characteristics of Multifamily Loans—Non-Recourse/Recourse Loans.**” To comply with tax rules applicable to fixed income trusts, assumptions and transfers of recourse loans are restricted. Recourse loans may be assumed by or transferred to a new borrower only under limited circumstances (estate planning and similar events). As a result, if a mortgage loan in your pool is recourse to the borrower and the borrower sells the related mortgaged property, the borrower is likely to be required to pay the loan in full, along with any required prepayment premium. If the borrower fails to do so, we also have the option under the trust agreement to purchase the recourse loan from the pool if the loan is assumed. In either case, there would be an early prepayment of principal to certificateholders.

Proceeds of Casualty or Condemnation

A multifamily loan may experience an involuntary prepayment, which is the early receipt of all or a portion of the principal of a loan other than as a result of a voluntary prepayment by the borrower or a default on the loan. Many multifamily mortgage notes do not require a borrower to pay a prepayment premium if an involuntary prepayment results from receipt of casualty insurance proceeds or a condemnation award affecting the related mortgaged property.

Casualty Insurance Proceeds. Casualty insurance proceeds generally are not applied against the unpaid principal balance of the related loan. Instead, these proceeds generally are used to restore or repair the mortgaged property (as long as the loan is not then in material default) and are not passed through to certificateholders. All or part of the proceeds, however, may be applied against the unpaid principal balance if permitted by the mortgage loan documents. In that case, there will be a full or partial prepayment of principal to certificateholders.

Condemnation Award Proceeds. Condemnation award proceeds generally are applied against the unpaid principal balance of the related loan as long as the loan is not then in material default. If the mortgaged property was affected by the condemnation but continues to operate, all or a portion of the proceeds may be used to repair or restore the mortgaged property if that use is permitted by the mortgage loan documents. If condemnation proceeds are applied against the unpaid principal balance, there will be a full or partial prepayment of principal to certificateholders.

Notwithstanding the foregoing, in some cases, we may permit small amounts of proceeds from casualty insurance or a condemnation award to be paid directly to a borrower.

Proceeds from Other Collateral

A lender may require a borrower to deliver cash, a letter of credit or another form of cash-equivalent collateral to secure performance of the borrower's obligations under a related agreement (for example, for the borrower to complete specified repairs at the mortgaged property or for the property to reach a specified occupancy level). If the borrower does not satisfy its obligations, we may draw on the collateral and may apply all or a portion of the proceeds to repay principal on the loan. The prepaid principal will be passed through to certificateholders, along with the certificateholders' share, if any, of any prepayment premium that is collected.

Borrower or Affiliate with Limited Term of Existence

A borrower or the holder of a significant direct or indirect ownership interest in a borrower (or any successor borrower) may have a form of organization with a limited term of existence that is scheduled to end before the maturity date of a mortgage loan. In this case, the borrower may have an incentive to sell the related mortgaged property on or before the termination date. In some cases, the prepayment premium period ends at the same time that the limited term of existence ends. If the mortgaged property is sold, the mortgage loan may be prepaid or it may be assumed by a new borrower that itself has a limited term of existence or is owned directly or indirectly by an entity with a limited term of existence. If the mortgage loan is prepaid, there will be a prepayment of principal to certificateholders along with the certificateholders' share of any prepayment premium collected. See **"THE MULTIFAMILY MORTGAGE LOANS—Additional Characteristics of Multifamily Loans—Borrower Characteristics and Borrower Ownership Structures—Borrower or Affiliate with Limited Term of Existence."**

Bridge Loans

A bridge loan is an interest-only ARM loan with an initial term of no more than three years. A bridge loan is locked out from prepayment during the first year of its term but is open to prepayment at any time thereafter. If a borrower on a bridge loan prepays the loan after the lockout period, the borrower is not required to pay any prepayment premium. If a bridge loan is paid in full, the prepaid principal will be passed through to certificateholders, affecting your yield.

Mortgaged Property Encumbered by Condominium Regime

A mortgaged property may be subject to a condominium ownership arrangement but be operated as a multifamily rental property. In these circumstances, the borrower is required to operate the property as a rental property and prohibited from modifying the condominium documents or selling any condominium unit during the term of the loan without the lender's prior written consent. The borrower's failure to comply with these provisions may trigger an event of default under the mortgage loan. In addition, a multifamily property operated as a rental property is part of an overall condominium project bound by the condominium documents for the larger project. In these circumstances, the borrower is generally required to pay all amounts required by, and comply with the provisions of, the condominium documents. The borrower's failure to comply with these provisions may trigger an event of default under the mortgage loan, which may result in acceleration and payment in full of the loan and the prepayment of principal to certificateholders. See **"THE MULTIFAMILY MORTGAGE LOANS—Additional Characteristics of Multifamily Loans—Mortgaged Property Encumbered by Condominium Regime."**

Tenancy-in-Common Borrower

We acquire multifamily loans secured by mortgaged properties owned by tenancy-in-common borrowers. The mortgage loan documents generally restrict certain transfers of interests in the

tenancy-in-common and may prohibit the tenancy-in-common parties from amending the tenancy-in-common agreement or taking other specified actions without our consent. The failure of a tenancy-in-common borrower to comply with these provisions would be an event of default under the loan, which may result in acceleration and prepayment in full of the loan, resulting in a prepayment of principal to certificateholders. See “**THE MULTIFAMILY MORTGAGE LOANS—Additional Characteristics of Multifamily Loans—Borrower Characteristics and Borrower Ownership Structures—Tenancy-In-Common Borrower.**”

Reamortization of Principal

An involuntary prepayment of the loan may result from the application of proceeds from casualty insurance, condemnation awards or other collateral against the unpaid principal balance of a loan. Moreover, if so indicated in the prospectus supplement, certain loans may permit voluntary partial prepayments of principal under limited circumstances. If the prepayment is a partial prepayment, many loans may permit or require reamortization of the remaining principal. Reamortization is not available, however, if the principal amount is adjusted as part of a loan modification for loss mitigation purposes.

Reamortization is the adjustment of the monthly payment amount to an amount sufficient to pay the then-remaining principal balance of the loan, together with interest at the then-applicable rate, in equal monthly payments over an amortization period that is determined at that time. If a reamortization occurs, the monthly principal and interest payment may be reduced, causing a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield. If, as is usually the case, the remaining loan term is shorter than the applicable amortization period, the loan will have a balloon payment at maturity. For a further discussion of the consequences of the reamortization of principal, see “**RISK FACTORS—RISKS RELATED TO YIELD AND PREPAYMENT—A mortgage loan in your pool may permit reamortization of principal after a partial prepayment of principal, which may reduce the monthly distributions on your certificates, affecting your yield.**”

Prepayment Premiums

The prospectus supplement will disclose whether a prepayment of a multifamily loan in a pool requires the payment of a prepayment premium and, if so, the method used to calculate the premium. In addition, the prospectus supplement will state whether certificateholders share in any prepayment premium paid on a loan in the pool. We will pass through to certificateholders their share of a prepayment premium only to the extent that the premium is collected by us and that a portion of the collected premium remains after we have deducted our full share. The prospectus supplement will describe any manner in which the terms for collection or application of prepayment premiums differ from those explained in this prospectus. **We do not guarantee to any trust the payment of any prepayment premiums.**

Under certain circumstances, even if the loan documents require payment of a prepayment premium, we, in our capacity as master servicer, may waive the premium. Under the trust agreement, we may permit the waiver of any portion of the prepayment premium that is payable to the servicer or to us. However, we may not permit the waiver of any portion of the prepayment premium that is payable to certificateholders unless one of the following conditions is satisfied:

- the mortgage loan is in default, or we or the primary servicer determines that a payment default is reasonably foreseeable and the market value of the related mortgaged property and any other collateral securing the mortgage loan is insufficient to pay in full the mortgage loan and the prepayment premium;
- we determine that enforceability of the prepayment premium is limited by court order or by bankruptcy, insolvency, moratorium, receivership, or other similar law relating to creditors' rights generally; or

- we reasonably believe that enforceability of the prepayment premium is otherwise limited or prohibited by applicable law or is otherwise unlikely to be enforced by a court.

Even if a borrower prepays a mortgage loan that requires payment of a prepayment premium, we may be unable to collect the premium. Some states have laws that limit the amounts a lender may collect from a borrower in connection with a voluntary prepayment or that make it difficult to collect a prepayment premium in connection with an involuntary prepayment. We cannot assure you that the imposition of a prepayment premium is enforceable or collectible under the laws of any state, district or territory.

If a borrower, a key principal or a payment guarantor becomes involved in a bankruptcy proceeding, the bankruptcy court may order the sale of a mortgaged property even though the related mortgage loan is not in default. If the mortgaged property is ordered to be sold, the bankruptcy court may refuse to order payment of the prepayment premium required under the terms of the mortgage note. In that case, we may not collect the full prepayment premium, or we may collect only a portion of the prepayment premium pursuant to an agreement with the creditors' committee. Even if the prospectus supplement provides that certificateholders share in the prepayment premium, we will pass through to certificateholders their share of the premium only to the extent that the premium is actually collected by us and that a portion of the collected premium remains after we have deducted our full share.

Defeasance of Loans

A defeasance loan permits a borrower to release the related mortgaged property from the lien of the mortgage by defeasing the loan through delivering acceptable substitute collateral. Once the mortgage loan has been defeased, the mortgaged property is released from the lien of the mortgage. The defeased loan remains in the pool for the remainder of the term. Before a defeasance loan has been defeased, it may be involuntarily prepaid in the same manner as non-defeasance loans. Once the loan has been defeased, however, it will not be involuntarily prepaid because the loan is no longer at risk of default or secured by real property subject to casualty or condemnation. The substitute collateral funds the remaining principal and interest payments for the loan. See **“THE MULTIFAMILY MORTGAGE LOANS—General Characteristics of Multifamily Loans—Defeasance”** for a further description of defeasance loans.

Substitution of Mortgage Loans

The trust agreement permits us to withdraw a mortgage loan from a pool and substitute another mortgage loan in its place under certain limited circumstances. The substitution must take place within the same due period in which the withdrawal occurs and within specified periods of time after the issuance of the related certificates. Not later than the first distribution date after the substitution, we will deposit into the related certificate account any amount by which the stated principal balance of the withdrawn loan (after giving effect to any principal distributions made on the immediately preceding distribution date) exceeds the unpaid principal balance of the substitute mortgage loan on the date of substitution. We will also deposit one month's interest on that excess principal amount; the interest will equal the net rate on the withdrawn loan times the excess principal amount. (For a fixed-rate loan, the net rate is the pass-through rate on the related certificates, and for an adjustable-rate loan, the net rate is the loan interest rate minus the spread specified in the related issue supplement.) We will pass through the excess principal and the interest, resulting in a prepayment of principal to certificateholders. See **“THE TRUST DOCUMENTS—Substitution of Mortgage Loans in Pools”** for a more complete description of mortgage loan substitution.

Existing and Future Additional Mortgage Liens

A pool may contain a multifamily loan secured by a mortgaged property that already secures another loan. Moreover, one or more additional loans may be made in the future, each of which

would be secured by a lien on the mortgaged property. Multifamily mortgage loan documents typically provide that all loans secured by a mortgaged property are cross-defaulted with each other. As a result, a default under an existing or future loan secured by the mortgaged property securing the mortgage loan in the pool is likely to cause a default under the loan. See “**–Cross-Default and Cross-Collateralization Provisions**” for further discussion about the results of cross-defaults.

Existing Mortgage Liens

The prospectus supplement for a pool will identify any existing senior or subordinate mortgage loans or other indebtedness of which we are aware that are already secured by the mortgaged property securing the mortgage loan in the pool. **Any existing mortgage loan is not part of your pool and does not back the certificates being offered.** If the necessary information is available, we will disclose a combined debt service coverage ratio and combined underwritten loan-to-value ratio for the mortgage loan in the pool and all existing mortgage loans secured by the mortgaged property.

Multifamily affordable housing properties often have existing financing that is provided by a government agency or organization to promote affordable housing. The financing may bear little or no interest and often requires no principal payments during its term. After reviewing the terms of the financing, we may determine that the existing financing is “soft” financing that is not likely to have a material adverse effect on the property’s cash flow. If we determine that the existing financing is soft financing, we generally will not include the terms of the subordinate financing in calculating debt service coverage and loan-to-value ratios. See “**THE MULTIFAMILY MORTGAGE LOANS—Affordable Housing Loans**” for a more detailed discussion of soft financing.

Future Mortgage Liens

After the issue date of the certificates, an additional loan may be made to, or additional indebtedness or obligations may be incurred by, the borrower or an affiliate that is also secured by the mortgaged property. In some cases, the additional loan may be “soft” financing provided by a government agency or organization to promote affordable housing. Before the additional loan may be made or the additional indebtedness or obligation incurred, we require the lender to determine that the combined debt service coverage ratio of the new loan (or other indebtedness or obligation), the existing loan in the pool, and any other loans secured by the mortgaged property evidences net operating income sufficient to support all of the loans. **Any future additional loan will not become part of your pool and will not back the certificates being offered.**

In most cases, a future additional loan is structured to be subordinate to an existing senior loan. In certain cases, however, we have securitized a subordinate loan and, during the term of the loan, the existing senior loan is paid in full. Under those circumstances, we may permit a new senior loan to be made and continue to subordinate the mortgage loan in the pool.

Cross-Default and Cross-Collateralization Provisions

Your pool may contain a multifamily loan that is cross-defaulted or both cross-defaulted and cross-collateralized with one or more existing or future mortgage loans. Mortgage loans can be crossed when they have either a common borrower or different borrowers that are owned by a common entity. If a mortgage loan in your pool is cross-defaulted with another mortgage loan, an event of default under the crossed loan may trigger an event of default under the loan in your pool. In this case, in addition to declaring the defaulted crossed loan immediately due and payable, we also may declare the loan in your pool immediately due and payable. A mortgage loan in your pool may also be cross-collateralized with another mortgage loan. If so, the mortgaged property securing the loan in your pool also secures the crossed loan, and the crossed mortgaged property secures the mortgage loan in your pool.

An event of default under a crossed loan may entitle the holder of the crossed loan to foreclose on and sell not only the crossed mortgaged property but also the mortgaged property securing the loan in your pool. If the loan in your pool defaults and payment of the unpaid principal balance is accelerated, or if the related mortgaged property is sold to satisfy the obligations under the loan or the crossed loan, there will be a full prepayment of principal to certificateholders, affecting your yield.

Defaults and Troubled Loans

Defaults

An event of default may occur under a multifamily loan for different reasons, including a borrower's failure to make timely payments on the loan, a transfer or assumption of the loan without the lender's consent, or a breach of any of the covenants and requirements disclosed in this prospectus or customarily found in commercial loans. A loan may be prepaid as the result of an event of default on the loan. If we purchase a defaulted loan as permitted or required by the trust agreement, or if the related mortgaged property is sold, or if we purchase REO property from a trust after the REO property was acquired in satisfaction of the defaulted loan, there will be a full or partial prepayment of principal to certificateholders. See “—*Servicing Policies and Practices for Troubled Loans*.” In the case of many defaulted loans, we are entitled under the loan documents to receive a prepayment premium from the borrower but are unable to collect it. Even if we collect a prepayment premium after a default, we will not pay any portion of the premium to certificateholders.

Default Interest

If a loan is in default and the default interest paid by the borrower is found to be usurious, any portion of the default interest paid in excess of the permitted amount is applied to reduce the unpaid principal balance of the loan. Applying the excess interest to reduce the principal of the loan will result in an involuntary partial prepayment of principal of the loan. In that case, there will be a full or partial prepayment of principal to certificateholders. No prepayment premium will be payable as the result of an involuntary prepayment due to the application of excess interest. No reamortization of principal is permitted under these circumstances.

Servicing Policies and Practices for Troubled Loans

Under the trust agreement, Fannie Mae or the primary servicer may use one or more permitted loss mitigation alternatives or may modify a mortgage loan if the loan is in payment default or if Fannie Mae or the primary servicer has determined that a payment default on a mortgage loan is reasonably foreseeable and that a temporary change in payment terms or a modification is advisable to bring or keep the mortgage loan current. Loss mitigation or modification efforts that may be pursued while a troubled loan remains in a pool will not affect the timing of payments of principal and interest to certificateholders. If loss mitigation or modification efforts are unsuccessful, a troubled loan may be purchased from a pool as permitted under the trust agreement. Such a purchase will result in an early return of principal on the certificates. See “**THE TRUST DOCUMENTS—Purchases of Mortgage Loans from Pools**” above. Certain loss mitigation and modification alternatives are described below.

The trust agreement requires either Fannie Mae or the primary servicer to evaluate the borrower's financial condition as well as the condition of, and circumstances affecting, the mortgaged property in determining whether a payment default is reasonably foreseeable. Fannie Mae or the primary servicer may consider a number of factors in making that determination including the following: net operating income of the mortgaged property and debt service coverage ratio of the loan; payment history of the borrower on other loans; the loan-to-value ratio at the time the loan was originated; the current loan-to-value ratio; whether scheduled payments on the mortgage loan have changed or are scheduled to change; material declines in the liquidity and net worth of the borrower; and the occurrence of a natural disaster, terrorist attack, or other catastrophe.

Forbearance and repayment plans are two common techniques we use in attempting to bring a borrower current. Under a forbearance arrangement, Fannie Mae may agree to accept a reduced payment or to forgo payment and not to pursue remedies for default against the borrower during the term of the forbearance. Under such a forbearance arrangement, the borrower repays delinquent amounts typically by making payments higher than the regularly scheduled payments until the mortgage loan is brought current. Loans subject to such forbearance arrangements typically remain in a pool during the respective forbearance and/or repayment plan period. Any such forbearance arrangements will not affect the timing of payments of principal and interest to certificateholders.

In some cases, Fannie Mae determines that a loan modification is necessary. In a loan modification, Fannie Mae and the borrower enter into an agreement that revises the original terms of the mortgage loan (for example, reduces the interest rate on the loan, reduces the monthly payments on the loan, capitalizes past due amounts as part of the principal balance, or extends the maturity of the loan). The trust agreement permits a loan to remain in the pool after a modification if the loan was in payment default or if Fannie Mae or the primary servicer had determined that a payment default was reasonably foreseeable; however, our current policy is to remove a loan requiring modification from a pool before any modification is made. When a loan is removed from a pool for this reason, the stated principal balance will be passed through to certificateholders, but no prepayment premium is payable.

If it appears that none of the loss mitigation measures will be appropriate to the borrower's circumstances and provide a reasonable chance of the borrower becoming or remaining current, we may permit a short sale of the mortgaged property, agree to accelerate maturity and accept less than the outstanding unpaid principal balance of the mortgage loan ("short payoff"), accept a deed-in-lieu of foreclosure, or foreclose on the mortgaged property. With a short sale or short payoff, the full principal amount of the loan would be due, but we would accept less than the outstanding unpaid principal balance of the mortgage loan from sale or refinancing proceeds received by the borrower. If we accept a short sale or short payoff by the borrower, we would pass through to certificateholders the stated principal balance of the mortgage loan after the payoff (even if the stated principal balance is more than the payoff proceeds we receive). If we accept a deed-in-lieu of foreclosure or foreclose on the mortgaged property, the REO property is typically purchased from the related pool within 60 days after the date we accepted the deed-in-lieu or the date of the foreclosure sale. In those cases, the stated principal balance of the mortgage loan is passed through to certificateholders upon the purchase date. A defaulted loan or the REO property must be purchased from a pool no later than 24 months following the date the loan became past due.

Under the trust agreement, we also may purchase a loan from the pool if the loan has been in a state of continuous delinquency during the period from the first missed payment date through the fourth consecutive payment date (even though the borrower may have made some payments during that period). As an example, if a borrower fails to pay the January 1st payment but makes a full or partial monthly payment on February 1, March 1, and April 1, the loan could be purchased from the pool as soon as April 2.

THE MULTIFAMILY MORTGAGE LOAN POOLS

We have several business lines under which we acquire multifamily mortgage loans, each of which has different loan eligibility requirements and underwriting standards. See "**THE MULTIFAMILY MORTGAGE LOANS.**" We deposit multifamily loans into pools and issue our guaranteed mortgage pass-through certificates, or MBS, which evidence beneficial ownership interests in the pooled loans. We may also create pools of participation interests in multifamily mortgage loans. For purposes of the description here, a participation interest is considered as if it were a separate multifamily mortgage loan, and payments on the participation interest are treated as if they were payments on the underlying loan. If we create a pool of participation interests, the prospectus supplement for your certificates will specify that the pool is composed of participation interests in multifamily mortgage loans.

Each multifamily mortgage loan in a pool is evidenced by a promissory note and secured by a deed of trust, mortgage or similar security instrument creating a first lien (or, if the prospectus supplement so states, a subordinate lien) on a multifamily residential property consisting of five or more residential units. The loans bear interest at either a fixed or an adjustable rate. Each mortgage loan requires the borrower to make monthly payments of principal and interest, except as provided otherwise in the prospectus supplement. The loans may be originated for the purpose of financing the purchase of, or refinancing a loan on, a multifamily property.

Assignment of Mortgage Loans; Delivery and Custody of Mortgage Loan Documents

The trust agreement requires that, at the time of issuance of the certificates, the mortgage loans comprising the related trust fund will be assigned to the trustee, together with all principal and interest payments on or with respect to the mortgage loans due after the issue date. Each mortgage loan held in a particular trust fund will be identified in a schedule described in the related issue supplement.

The trust agreement requires that certain documents be maintained by the trustee (or a custodian for the trustee) for each mortgage loan, including the original mortgage note (or other instrument of indebtedness) endorsed in blank or to the order of the issuer or the trustee. If the original note is lost or otherwise unavailable, a lost note affidavit may be satisfactory if certain criteria are satisfied. The trust agreement also provides that mortgage loan documents may be maintained in electronic format.

Under the terms of the trust agreement, an unaffiliated third-party, the issuer, the seller, the master servicer, the trustee, a primary servicer, a subservicer or an affiliate of any of these entities may act as custodian. If we are not the custodian, our current policies require that the custodian must be either (a) a financial institution supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC or the National Credit Union Administration (“NCUA”), (b) a subsidiary of a parent financial institution that is supervised and regulated by one of these entities, or (c) a Federal Home Loan Bank. In certain cases, we may permit the seller of the mortgage loans or an affiliate of the seller to act as our document custodian, provided that the entity meets these and certain additional requirements. We may modify our practices regarding the custody of mortgage documents at any time, subject to certain standards of care and other requirements described in the trust agreement. We periodically review our custodial practices and, subject to the terms of the trust agreement, make changes as we determine appropriate.

Before issuing certificates, we review the mortgage loan schedule for that issuance and later may, from time to time, conduct random spot checks to confirm that the related documents are held by the custodian. As a general rule, a Uniform Commercial Code financing statement, or UCC-1, is filed against any seller that has sold us mortgage loans under a contract in which the seller assumes any recourse or loss sharing on the mortgage loans. In the event of a bankruptcy or receivership of a seller, a court could determine that the mortgage loans were not sold to us but were pledged to us to secure a financing. Courts may also deny our standing to enforce delinquent mortgage loans if we cannot adequately prove our ownership. If as a result of any such determination mortgage loan payments were inadequate to cover the amounts due to certificateholders, we would make payments to the trust under our guaranty in the amount required by the trust to pay certificateholders what they are due. See **“RISK FACTORS—RISKS RELATING TO CREDIT—Seller Credit Factors.”**

Age of Multifamily Mortgage Loans at Time of Pooling

Multifamily loans in our pools may be newly originated or may have been outstanding for a period of months or years before being deposited into pools. In many cases, we deposit multifamily loans, whether or not newly originated, into a pool shortly after we acquire the loans. In other

cases, we deposit multifamily loans that were held in our loan portfolio for some period of time into a portfolio pool. Investors should consult the prospectus supplement for an issuance of certificates for further information about the age of the mortgage loans in their pools.

Pool Disclosure Documents

Each time we issue a multifamily MBS, we prepare disclosure documents that describe the terms of the MBS. These at-issuance disclosure documents are delivered to the MBS investor and are available on our Web site through our Multifamily Securities Locator Service at www.fanniemae.com. The at-issuance disclosure documents for a multifamily MBS consist of this prospectus, the related prospectus supplement and any documents incorporated by reference into this prospectus or related prospectus supplement. See “**INCORPORATION BY REFERENCE.**” The prospectus supplement has two parts: a Prospectus Supplement Narrative and a Schedule of Pool and Loan Information. The Prospectus Supplement Narrative describes characteristics of the multifamily product line under which the mortgage loans in the pool were originated and includes any special characteristics of the loans. The Schedule of Pool and Loan Information includes a Pool Statistics page, which provides pool-level data as of the issue date, and an individual Multifamily Schedule of Loan Information for each loan in the pool, which discloses loan-level data and property-level data. See “**–Pool Statistics**” and “**THE MULTIFAMILY MORTGAGE LOANS—General Characteristics of Multifamily Loans**” for further details.

At-issuance disclosure documents contain the most current information available to us as of the issue date of the certificates, unless the prospectus supplement provides for a different date. After certificates are issued, the related at-issuance disclosure documents may be corrected during the applicable offering period and made available on our Multifamily Securities Locator Service site. We do not revise the at-issuance offering documents after the offering period to provide any updated information.

Pool Prefixes

We assign a separate pool number to each pool of mortgage loans and the related issuance of certificates. We also assign a two-character prefix that identifies the type of multifamily loans in that pool and the basic terms of the certificates. The type of information reflected by the prefix includes whether the underlying multifamily loans are conventional loans or are insured or guaranteed by the government, whether the loans bear interest at a fixed rate or an adjustable rate, whether the certificates and the underlying multifamily loans calculate interest on a 30/360 basis, an actual/360 basis or some other basis, the length of the loan terms, and whether the loans are fully amortizing or have a balloon payment at maturity. On the issue date, a pool will contain either fixed-rate loans or adjustable-rate loans, but not both. Moreover, while hybrid loans have both fixed-rate and ARM characteristics, each pool will contain only one type of hybrid loan. (For purposes of pooling, hybrid loans are considered ARM loans.)

Pool prefixes are intended to provide a convenient reference source for the characteristics of the loans in a pool. **Nevertheless, when deciding whether to purchase certificates, you should rely on pool prefixes ONLY in conjunction with the information in this prospectus, the related prospectus supplement and any information that we have incorporated into these documents by reference.**

Some frequently used multifamily prefixes are listed on **Exhibit A** at the end of this prospectus. Current information about prefixes, including any prefixes created after the date of this prospectus, may be found on our Web site.

Pool Statistics

The Pool Statistics page discloses the prefix, pool number and CUSIP number of the pool, the issue date of the certificates, the principal balance of the pool on the issue date, the pass-through

rate for the pool and the distribution date for the pool. In addition, we will disclose certain characteristics of the underlying mortgage loans in the pool. The characteristics included in the pool statistics for any particular pool may vary from pool to pool. Some of the characteristics, however, are applicable only to ARM loans or hybrid loans. Certificateholders should determine for themselves how to use the pool statistics.

Monthly Pool Factor and Other Periodic Disclosures

On or about the fourth business day of each month, we will publish the current monthly pool factor for each issuance of certificates that remains outstanding. If you multiply the monthly pool factor by the original unpaid principal balance of your certificates, you will obtain the then-current principal balance of your certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month.

We provide certain updated pool and loan information on a monthly basis and additional updated pool and loan information on a quarterly basis. We also provide updated ratings of property condition as made available to us by the lender and as and if required by a borrower's mortgage loan documents. The specific information that is updated may vary among different pools. See "*Ongoing Periodic Disclosures*" in "**THE MULTIFAMILY MORTGAGE LOANS—DUS Loans—Standard DUS Loans,**" "*Structured Transaction DUS Loans,*" "**MFlex Loans**" and "**Negotiated Transaction Loans**" for a description of the specific information made available.

All updated and ongoing disclosure for our multifamily pools and related loans is available through our Multifamily Securities Locator Service and is available to certificateholders and all other market participants for review and analysis. Unless otherwise stated in this prospectus or a prospectus supplement, information on our Web site is *not* incorporated by reference into this prospectus or any prospectus supplement.

Glossary

We define in the "Glossary" many of the terms used on a Schedule of Pool and Loan Information, in data presentations in our Multifamily Securities Locator Service and in other locations on our Web site that provide multifamily MBS data. The "Glossary" may be found on our Web site at www.fanniemae.com. An exhibit to the Glossary defines the rating definitions for the overall property condition standards.

THE MULTIFAMILY MORTGAGE LOANS

We acquire multifamily loans that are originated for the purpose of purchasing, refinancing and/or rehabilitating multifamily residential properties, including apartment buildings, apartment communities, small apartment properties, rural housing properties, seniors housing, cooperative housing projects, manufactured housing communities, student housing and military housing. Many multifamily properties are considered affordable multifamily housing.

Government and Conventional Mortgage Loans

We pool government and conventional mortgage loans. Government loans are multifamily loans insured by the FHA or guaranteed by the USDA through its Rural Housing Service's Guaranteed Rural Rental Housing Program or by other government agencies. Conventional loans are all loans other than government loans. Both government and conventional loans may be deposited into the same pool. However, a pool that includes only government loans is designated by a separate pool prefix.

Both government and conventional loans may bear interest at either a fixed rate or an adjustable rate or may be permitted or required to convert from an adjustable rate to a fixed rate or vice versa

during the loan term. The loans may have different methods for calculating interest and repaying principal, varying loan terms and restrictions and other features.

Non-interest bearing mortgage loans are included in mortgage loan pools that back Discount Mortgage Backed Securities (“DMBS”) certificates. For more information about non-interest bearing mortgage loans and DMBS certificates, see the current Prospectus for Fannie Mae Guaranteed Discount Mortgage-Backed Certificates (Multifamily Residential Mortgage Loans).

Fixed-Rate Mortgage Loans

Fixed-rate mortgage loans bear interest at rates that are fixed at origination and remain constant until the maturity date. Each fixed-rate loan type is described below. Fixed-rate pools consist entirely of fixed-rate loans and contain mortgage loans of only one type. The prospectus supplement will identify the type of loans included in the pool. Interest on a fixed-rate pool (the “pass-through rate”) is set at the issuance date of the related certificates and is equal to the weighted average of the mortgage interest rates less the fee percentages for each loan in the pool. The fee percentage of a loan is the sum of the servicing fee and the guaranty fee for that loan.

- *Partially amortizing equal payment fixed-rate loans with balloon payments*—Each scheduled monthly payment of principal and interest, except the final payment, is in the same amount. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term.) The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment.
- *Interest-only initially to partially amortizing fixed-rate loans with balloon payments*—During an initial period of time, no scheduled principal payment is due on the loan, and the borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. Consequently, during this initial period, distributions on certificates backed by this type of mortgage loan will consist of only interest at the fixed MBS pass-through rate and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the mortgage interest rate and to partially amortize the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the remaining loan term). The final scheduled payment at maturity is a balloon payment that is substantially larger than any previous scheduled payment.
- *Interest-only fixed-rate equal payment fixed-rate loans with balloon payments*—No scheduled principal payments are due on the loan during its term. The borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. As a result, during the entire term of the loan, distributions on certificates backed by this type of mortgage loan will consist of only interest at the fixed MBS pass-through rate and unscheduled principal from partial or full prepayments on the mortgage loans. The final scheduled payment at maturity is a balloon payment of all outstanding principal.
- *Fully amortizing equal payment fixed-rate loans*—Each scheduled monthly payment of principal and interest is in the same amount and fully amortizes the original principal balance of the loan over the term of the loan, which is usually 25 or 30 years.
- *Interest-only initially to fully amortizing equal payment fixed-rate loans*—During the initial interest-only period, the loan payments and distribution to certificateholders will be made as described in “—*Interest-only initially to partially amortizing fixed-rate loans with balloon*

payments.” On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the mortgage interest rate and to fully amortize the outstanding principal balance of the loan on a level debt service basis over the remainder of its term.

See “—**Hybrid Mortgage Loans**” for a description of hybrid loans, which have characteristics of both fixed-rate and adjustable-rate loans. Some hybrid loans allow borrowers to extend the terms of the loans at a new rate of interest. Hybrid loans and pools with hybrid loans are characterized as ARM loans and ARM pools, respectively, in our at-issuance and ongoing disclosure.

Adjustable-Rate Mortgage Loans (ARM Loans)

Adjustable-rate pools consist entirely of one or more ARM loans that bear interest at rates that adjust periodically in response to changes in an index. Some of the more frequently used indices are described under “—**ARM Indices.**” ARM loans may have an initial fixed interest rate period during which the interest for the loans accrues at a fixed rate that is not based upon an index or a loan’s mortgage margin. Beginning on the first interest rate change date for an ARM loan, interest on the ARM loan will accrue at a rate equal to the index value plus the mortgage margin that was specified in the related mortgage note, subject to rounding and to any interest rate caps and floors. The first interest rate change date for an ARM loan in your pool may have occurred before the issue date of your certificates.

We calculate interest for each adjustable-rate pool at a monthly rate (the “pool accrual rate”), which is equal to the weighted average of the mortgage interest rates less the fee percentages for each ARM loan in that pool. (Weighting is based on the stated principal balance of each ARM loan then remaining in the pool.) Therefore, the pool accrual rate is not a fixed pass-through rate and generally will vary from month to month as the interest rates on the ARM loans change and as the ARM loans amortize or prepay.

Certain Defined Terms for ARM Loans

The following illustrates the methods for determining the mortgage interest rate, fee percentage, MBS margin and pool accrual rate for each ARM loan in a pool:

Mortgage Interest Rate	=	Index Value + Mortgage Margin
Fee Percentage	=	Servicing Fee + Guaranty Fee
MBS Margin	=	Mortgage Margin – Fee Percentage
Pool Accrual Rate	=	Weighted Average of (Mortgage Interest Rate – Fee Percentage) for all ARM loans in a pool.

MBS Margin

We generally establish the MBS margin for an ARM loan in an adjustable-rate pool in one of two ways:

- **Fixed MBS margin pool.** In some adjustable-rate pools, the MBS margin is the same for all ARM loans in the pool, even though the mortgage margins may vary from loan to loan. We accomplish this by varying the fee percentage from loan to loan, so that the difference between each loan’s mortgage margin and its corresponding fee percentage results in an MBS margin that is the same for each loan.
- **Weighted average MBS margin pool.** In other adjustable-rate pools, the fee percentage is the same for all ARM loans in pool, with the result that the MBS margins vary among the loans in the pool to the same degree as do their mortgage margins.

We will provide information about the MBS margins for the ARM loans in your pool on the Pool Statistics page of the related Schedule of Pool and Loan Information. Each month we make available updated MBS margin information for each pool on our Web site.

ARM Indices

The prospectus supplement will specify the index used to determine the mortgage interest rates on the mortgage loans in your pool. The interest rates on all ARM loans in a pool will adjust based upon the same index. Most mortgage notes for ARM loans provide that, if the applicable index is no longer available, the holder will choose a new index that is based upon comparable information. Some of the indices we commonly use are described below. We make no representations as to the continued availability of these indices or as to the date on which the indices are published or made publicly available.

- *LIBOR*: The average of the London Interbank Offered Rates for one-month (One-Month LIBOR), three-month (Three-Month LIBOR), six-month (Six-Month LIBOR) and one-year (One-Year LIBOR) U.S. Dollar-denominated deposits, as fixed on each index determination date by the British Bankers Association and reported by Reuters through electronic transmission.
- *U.S. Treasury Indices*: The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year (One-Year Treasury Index), three years (Three-Year Treasury Index), five years (Five-Year Treasury Index) and ten years (Ten-Year Treasury Index), each as made available by the Federal Reserve Board.¹ These indices are sometimes referred to as the constant maturity Treasury or “CMT” indices.
- *COFI Index*: The Eleventh District Cost of Funds, the monthly weighted average cost of funds of the Federal Home Loan Bank of San Francisco, as made available by the Bank.²

Types of ARM Loans

Each ARM loan type is described below. Adjustable-rate pools generally will contain ARM loans of only one type, which will be identified in the prospectus supplement.

- *Partially amortizing ARM loans with balloon payments*—The interest rate on an ARM loan adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount is changed to an amount necessary to pay interest at the then-applicable interest rate and to pay principal in an amount that partially amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then-current interest rate. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the

¹ These indices are published by the Board of Governors of the Federal Reserve System in Federal Reserve Statistical Release: Selected Interest Rates No. H.15 (519). This release usually appears on Monday (or Tuesday, if Monday is not a business day) of every week. You can obtain a copy by accessing the Federal Reserve Web site at www.federalreserve.gov/releases, by writing the Publications Department at the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551, or by calling (202) 452-3245. We do not intend this Internet address to be an active link.

² The COFI Index is published in the monthly Federal Home Loan Bank of San Francisco (FHLB-SF) Bulletin. You can obtain a copy by accessing the FHLB-SF Web site at www.fhlbsf.com, by writing to the Office of Public Information, Federal Home Loan Bank of San Francisco, P.O. Box 7948, 600 California Street, San Francisco, California 94120, or by calling (415) 616-1000 or (415) 616-2600. We do not intend this Internet address to be an active link.

loan term.) The final scheduled payment at maturity is a balloon payment that is substantially larger than any previous scheduled payment.

- *ARM loans with initial interest-only periods that become partially amortizing ARM loans with balloon payments*—The interest rate on the loan will adjust periodically during the term of the loan. In some cases, the interest rate is fixed for a period of time before it begins to adjust. During an initial period of time, the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the then-applicable interest rate. As a result, during this initial period, payments on certificates backed by pools of mortgage loans of this type will consist of only interest at the then-applicable pool accrual rate and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date after the end of the initial interest-only period, and after each subsequent rate adjustment, the monthly payment amount is changed to an amount necessary to pay interest at the then applicable interest rate and to pay principal in an amount that partially amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then-applicable interest rate. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term.) The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment.
- *Interest-only ARM loans with balloon payments*—No scheduled principal payments are due on the loan during its term. The interest rate on the loan will adjust periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount on the outstanding principal balance is changed to an amount necessary to pay only the monthly interest due on the outstanding principal balance at the then-applicable interest rate. As a result, during the entire term of the loan, payments on certificates backed by mortgage loans of this type will consist of only interest at the then-applicable pool accrual rate and unscheduled principal from partial or full prepayment on the mortgage loans. The final scheduled payment at maturity is a balloon payment of all outstanding principal.
- *ARM loans with initial interest-only periods that become fully amortizing ARM loans*—The interest rate adjusts periodically during the term of the loan. During the interest-only period, payments will be made as described above in “*—ARM loans with initial interest-only periods that become partially amortizing ARM loans with balloon payments.*” On the first payment due date after the end of the initial interest-only period, and after each subsequent rate adjustment, the monthly payment amount is changed to an amount necessary to pay interest at the then-applicable interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then current interest rate.
- *Fully amortizing ARM loans*—The interest rate adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount is changed to an amount necessary to pay interest at the then-applicable interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then-applicable interest rate.
- *Deferred interest / negative amortization ARM loans*—As with ARM loans that do not permit negative amortization, the interest rate and payment amount adjust periodically during the term of the loan. These ARM loans, however, have either or both (i) an adjustment schedule in which the payment amounts are adjusted less frequently than the interest rate or (ii) a payment cap that limits the amount by which the payment can increase as a result of an interest rate increase. This feature creates the possibility that after an interest rate change, the monthly payment on the ARM loan will be insufficient to cover the accrued interest. Whenever that occurs, the portion of interest that is not included in the payment amount

will be added to the loan's principal balance. This addition to principal is referred to as negative amortization. Interest will then accrue on the new higher mortgage balance.

See “—**Hybrid Mortgage Loans—Convertible ARM Loans**” for a description of ARM loans that permit a borrower to convert an adjustable-rate loan to a fixed-rate loan.

How ARM Loans Work

ARM loans bear interest at rates that adjust periodically in response to changes in an index. Some of the frequently used indices are described in “—**ARM Indices**.”

- *Initial fixed-rate period.* For an initial period, interest on most ARM loans accrues at a fixed rate, which may or may not be based on the index value in effect at the time of the loan's origination. The prospectus supplement will specify (i) the initial interest rate if a loan has not yet had an interest rate change, or the current interest rate if a loan has had an interest rate change, (ii) the length of time from loan origination to the first interest rate change date for each loan in the pool, and (iii) the frequency of interest rate changes.
- *Calculation of the adjustable interest rate.* After the initial fixed-rate period, if any, the interest rate on an ARM loan is adjusted at regular intervals specified in the mortgage note. On each interest rate change date, the interest rate is adjusted to equal the sum of the index value most recently available as of a date specified in the mortgage note plus the mortgage margin specified in the mortgage note. Except as otherwise specified in the prospectus supplement, the result is rounded according to the rounding convention stated in the mortgage note or, if none is stated, to three decimal points. The index value used will be the latest index value available as of the date that precedes the interest rate change date by the applicable lookback period. The lookback period is the number of days specified in the related mortgage note that fall between the interest rate change date and an earlier specified date. The prospectus supplement will specify the lookback period for each ARM loan.
- *Interest rate caps and floors.* Many ARM loans contain periodic interest rate caps and floors, which limit the amount by which the interest rate can increase or decrease on each interest rate change date. Many ARM loans also specify a lifetime interest rate cap and a lifetime interest rate floor. A lifetime interest rate cap provides that the interest rate may never increase above the lifetime cap, regardless of the applicable index value, while a lifetime interest rate floor provides that the interest rate may never decrease below the lifetime floor, regardless of the applicable index value. If no lifetime interest rate floor is specified, we treat the related mortgage margin as the floor. The prospectus supplement will specify any periodic interest rate caps and floors that apply to the initial interest rate change and each later interest rate change and will also disclose any lifetime interest rate caps and lifetime interest rate floors.
- *Payment change frequency and payment caps.* Unless the prospectus supplement states otherwise: (i) all payment changes on ARM loans will take effect in the month after each interest rate change and (ii) no payment caps limiting the amount by which the payment can increase or decrease apply to the ARM loans.
- *Rate changes upon assumption of an ARM loan.* If a mortgaged property securing an ARM loan is sold, many ARM loans permit the new purchaser of the mortgaged property to assume the loan, provided that the purchaser is reasonably satisfactory to the lender. In some cases, the maximum and minimum interest rates, and the maximum and minimum payment caps and/or the lifetime interest rate caps may be reset at the time of assumption to reflect then-prevailing market interest rates. The prospectus supplement will indicate if an adjustable-rate pool includes an ARM loan that provides for resets of any of these features at the time the loan is assumed. If such an ARM loan is assumed, we will purchase the ARM loan from the pool before the effective date of the reset.

- *Negative amortization.* If so specified in the prospectus supplement, an adjustable-rate pool may contain ARM loans that permit negative amortization.
 - *Payment change frequency and payment caps for negative amortization loans.* If an ARM loan permits negative amortization, at times the monthly payment may be insufficient to pay all of the interest that has accrued during the month. This usually occurs when payments do not change as frequently as the interest rate changes or when a payment cap applies. Payment caps and floors may limit the amount by which the borrower’s payment can increase or decrease with each interest rate change. If a payment cap or floor applies, the prospectus supplement will so state. In either case, when this happens, the amount by which the payment is insufficient to pay the interest due is deferred and added to the principal balance of the mortgage loan. Interest then accrues on the new, higher mortgage loan balance.
 - *Periodic reamortization of negative amortization loans.* Some ARM loans that permit negative amortization provide for a periodic full reamortization of principal. Some loans may also provide for reamortization between the planned reamortization dates where the addition of deferred interest to principal would cause the then-current principal balance of the loan to exceed a specified trigger amount over the original principal balance. The resulting monthly payment amount is calculated without regard to the caps on payment changes that would otherwise apply. If a loan permits negative amortization, the prospectus supplement will indicate the dates for scheduled reamortizations and the trigger level for unscheduled reamortizations.

Hybrid Mortgage Loans

Each type of hybrid loan is described below. Pools with hybrid loans generally will contain hybrid loans of only one type, which will be identified in the prospectus supplement. Hybrid loans/pools with hybrid loans are characterized as ARM loans/ARM pools in our at-issuance and ongoing disclosure.

Convertible ARM Loans

Some ARM loans permit a borrower to exercise, during a specified period of time, an option to convert the ARM loan to a fixed-rate loan. During the initial ARM term of the loan, the loan bears an adjustable rate, and certificateholders receive interest as described in “**–Adjustable-Rate Mortgage Loans (ARM Loans)**.” If the borrower chooses that option, the adjustable rate of interest will change to a fixed rate. The trust agreement gives us the option to purchase the ARM loan from the pool; however, our current policy provides that we will purchase the ARM loan from the pool no later than the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price of the ARM loan will equal its stated principal balance plus one month’s interest at the then-current pool accrual rate, which will be passed through to certificateholders on the distribution date in the month following the purchase. The borrower is not required to pay a prepayment premium when an ARM loan converts to a fixed rate. The prospectus supplement will identify adjustable-rate pools that include convertible ARM loans and specify the times when a borrower may convert an ARM loan to a fixed-rate loan.

Fixed+1 Loans

Some mortgage loans have a fixed rate of interest until the last year of their terms, and certificateholders receive interest as described in “**–Fixed-Rate Mortgage Loans**.” At the beginning of the final year of the loan term, without any action by the borrower, the fixed rate of interest on the loan will change to an adjustable rate for the remaining year of its term. During the final year of the loan term, the interest rate on the loan will adjust monthly and be based on One-Month LIBOR, and certificateholders will receive interest as described in “**–Adjustable-Rate Mortgage Loans (ARM Loans)**.” The trust agreement requires that the loan remain in the pool after

the conversion. The interest passed through each month during the final year will be based on the adjustable rate of interest applicable during the preceding month, which may be lower than the original fixed rate. The prospectus supplement will identify pools that include these loans.

Extended Maturity Loans

Some mortgage loans with a fixed rate of interest may permit a borrower to exercise, during a specified period, an option to extend the maturity date of the loan. During the fixed-rate term of the loan, the loan bears a fixed-rate of interest, and certificateholders receive interest as described in “**–Fixed-Rate Mortgage Loans.**” If a borrower exercises the extension option, however, the fixed rate of interest on the loan will change to an adjustable rate throughout the extended term. The trust agreement gives us the option to purchase the loan from the pool upon an extension; however, our current policy requires that the loan remain in the pool. During the extended term, the interest rate on the loan will adjust monthly and be based on One-Month LIBOR, and certificateholders will receive interest as described in “**–Adjustable-Rate Mortgage Loans (ARM Loans).**” The interest passed through each month during the extended term will be based on the adjustable rate of interest applicable during the preceding month, which may be lower than the original fixed rate. The prospectus supplement will identify pools that include these loans and specify the times when a borrower may exercise an option to extend the term of the loan.

Step-Rate Extended Maturity Loans

Some mortgage loans may permit a borrower to exercise, during a specified period, an option to extend the maturity date of the loan. During the initial term of the loan, the loan bears a fixed rate of interest, and certificateholders receive interest as described in “**–Fixed-Rate Mortgage Loans.**” If a borrower exercises the extension option, the then-current fixed rate of interest will change to a different fixed rate of interest throughout the extended term, which may be higher or lower than the original fixed rate. The trust agreement gives us the option to purchase the loan from the pool upon an extension; however, our current policy permits us to decide after we receive notice of the borrower’s intention to extend but before the initial maturity date of the loan whether to purchase the loan from the pool.

If we purchase the loan from the pool, the purchase will occur no later than the month before the loan begins to accrue interest at the new rate. The purchase price for the loan will be its stated principal balance plus one month’s interest at the then-current pass-through rate, which will be passed through to certificateholders on the distribution date in the month following the purchase. Unless the prospectus supplement states otherwise, the borrower is not required to pay a prepayment premium when a loan term is extended. If the loan remains in the pool, the loan will accrue interest at the new fixed rate during the extended term, and certificateholders will receive interest at the new fixed pass-through rate. The prospectus supplement will identify pools that include these loans and specify the times when a borrower may exercise an option to extend the term of the loan.

General Characteristics of Multifamily Loans

Multifamily mortgage loans typically share certain general characteristics, which are described below. However, the individual loans in pools backing certificates have specific characteristics that differ from loan to loan. We require the seller to make certain representations and warranties to us about the characteristics of the mortgage loans delivered to us. See “**FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties.**”

The Schedule of Pool and Loan Information included in the prospectus supplement for each pool includes a separate Multifamily Schedule of Loan Information for each loan in the pool, which provides detailed information about the individual loan and the mortgaged property or properties securing the loan, including certain data and estimates (“data”) provided by the seller of the loan. The data elements included for the loans and mortgaged properties in any particular

pool may vary from pool to pool and may vary among loans purchased through different product lines but generally include debt service coverage ratio, underwritten loan-to-value ratio, underwritten net operating income, underwritten physical occupancy, underwritten economic occupancy and underwritten property value. (Some data elements apply only to ARM loans.)

The values disclosed for the data elements are the most recent values that are available to us at the issue date of the certificates but may relate to an earlier period or may no longer be accurate due to intervening events or conditions. Moreover, while these values are generally current for newly originated loans, the values may be significantly dated for many seasoned loans. The Multifamily Schedule of Loan Information will disclose the date of the financial statements used to calculate the debt service coverage ratio and underwritten net operating income.

Defined Terms

General Definitions

The following terms are defined as follows:

- **Debt Service Coverage Ratio (DSCR)**¹ – for a newly originated or seasoned mortgage loan, the ratio of
 - the underwritten Net Operating Income for the related mortgaged property on an annualized basis

to

 - the annualized original monthly principal and interest payment or interest-only payment on the related loan, calculated using the initial interest rate for both fixed-rate and ARM loans.

For partial and full interest-only loans, the calculation does not include an amortization factor.

If the related mortgaged property also secures any existing additional mortgage loan on the issue date of the certificates, DSCR is calculated by combining the applicable annualized monthly payment for the loan and the annualized then-current monthly payments for the additional loan or loans.

- **Debt Service Coverage Ratio (DSCR) at Maximum Payment**^{1, 2} – for a newly originated or seasoned mortgage loan, the ratio of
 - the underwritten Net Operating Income for the related mortgaged property on an annualized basis

to

 - the highest potential debt service for the related loan. For a partial interest-only loan, debt service is calculated using the payments that will apply when the loan starts to amortize. For an ARM loan, debt service is calculated at the maximum lifetime interest rate for the loan and includes amortization. If an ARM loan does not have a maximum lifetime interest rate, debt service is calculated at the variable underwriting rate used to underwrite the loan and includes amortization.

If the related mortgaged property also secures any existing additional mortgage loan on the issue date of the certificates, DSCR at Maximum Payment is calculated by combining the applicable annualized maximum monthly payment for the loan determined as set forth above and the annualized maximum monthly payment for the additional loan or loans.

¹ This term is specially defined for cooperative blanket mortgage loans. See “—*Cooperative Blanket Loan Definitions.*”

² DSCR at Maximum Payment was formerly known as Debt Service Coverage Ratio (DSCR) IO/ARM.

- **Economic Occupancy** –net rental collections, expressed as a percentage of gross potential rent.
- **Green Financing** – the type of green financing program pursuant to our Green Initiative under which the mortgage loan was originated. Information about available green financing programs may be found on our Web site at www.efanniemae.com/mf/finsolutions/pdf/grnrefiplus.pdf.
- **Green Building Certification** – the type of designation, if any, awarded by a third party certifying that the related mortgaged property meets defined criteria for energy and/or water efficiency, waste management, indoor air quality, and/or other environmental sustainability measures. Further information about our Green Initiative may be found on our Web site at www.FannieMaeGreenInitiative.com.
- **Loan-to-Value Ratio (LTV)** – for a newly originated or seasoned mortgage loan, the ratio of
 - the unpaid principal balance of the mortgage loan
 - to
 - the related Property Value,
 expressed as a percentage of the Property Value.
- **Net Operating Income**^{3, 4}
 - **Newly originated loan** – Net Operating Income equals revenue less expenses, as those terms are defined below.
 - **“Revenue”** is the expected revenue that the lender, in its underwriting of the loan, estimates will be generated from the use and operation of the related mortgaged property. Lenders may consider historical operating performance, expected property operating improvements and other factors. Factors used to calculate expected revenue commonly include estimated market rental rates, net rental collections and other income, if any, generated by the property.
 - **“Expenses”** are the sum of estimated operating expenses plus estimated fixed expenses. Factors used to calculate estimated operating expenses commonly include utilities, general administrative expenses, management fees, advertising, replacement reserves, repairs and maintenance. Factors used to calculate estimated fixed expenses commonly include insurance and real estate taxes.

The factors used by lenders to determine revenue generated and expenses incurred may vary from one type of property to another. Net Operating Income is presented on an annualized basis.
 - **Seasoned loan** – Net Operating Income is the actual net operating income for the related mortgaged property that was most recently reported to us.
- **Phased Property** – a mortgaged property consisting of two or more sections (phases) that were built at different times.
 - **Phase Year** – the calendar year in which construction of a specified phase of the related mortgaged property was completed and a certificate of occupancy issued.

³ This term is specially defined for cooperative blanket mortgage loans. See “–*Cooperative Blanket Loan Definitions.*”

⁴ This term is specially defined for seniors housing loans. See “–**Other Special Feature Mortgage Loans–*Seniors Housing Loans.***”

- **Phase Year Number of Units** – the number of residential units within the specified phase of the related mortgaged property.
- **Physical Occupancy**—the occupancy rate for the related mortgaged property reflecting units that are physically occupied by tenants and provided to us by the lender as of the date the loan was originated, expressed as a percentage.
- **Property Name and Property Street Address** – the name and street address of the related mortgaged property. If a loan is secured by more than one property, the name and street address of each property will be disclosed on the “Collateral Information” page of the related Multifamily Schedule of Loan Information. If a loan is secured by one property that has more than one name and/or address, each name and address, abbreviated as necessary, will be disclosed on the “Collateral Information” page.
- **Property Value**^{5, 6}
 - **Newly originated loan** – the value of the related mortgaged property as of the date the loan was originated as reported to us by the lender. This value is the lowest of the following:
 - the appraised value established by a third-party appraisal;
 - the lender’s underwriting value based on the lender’s adjustments to appraisal deficiencies that cannot be cured before expiration of the appraisal (in accordance with our appraisal guidelines); or
 - if the lender committed to make the loan within 12 months of the date the mortgaged property was acquired by the borrower, the lowest of (i) the appraised value, (ii) the acquisition price plus the cost (if the cost increases the value of the property) of repairs completed and fully paid for before the loan commitment or repairs for which the borrower is depositing funds pursuant to an agreement with the lender, plus actual acquisition closing costs (not to exceed 3% of the acquisition price), or (iii) the value resulting from some other method of determining property value that was used by the lender.
 - **Seasoned loan** – if a seasoned loan is sold to us, the seller may report a recent determination of property value. If a seasoned loan has been held in our portfolio, the property value is determined as described in “**Newly originated loan**” above.
- **Unpaid Principal Balance** –
 - If a loan is newly acquired by us (whether newly originated or seasoned), (i) the unpaid principal balance of the loan is generally its balance as of the issue date of the certificates, and (ii) the unpaid principal balance of any existing additional mortgage loan also secured by the mortgaged property is generally the balance reported to us by the seller at the time we acquired the loan.
 - If a loan has been held in our portfolio, (i) the unpaid principal balance of the loan is generally its balance as of the issue date of the certificates, and (ii) the unpaid principal balance of any existing additional mortgage loan also secured by the mortgaged property is generally the balance most recently reported to us by the primary servicer.

⁵ See “–**Affordable Housing Loans**” for additional information about Property Value for affordable housing properties.

⁶ See “–**Other Special Feature Mortgage Loans—Seniors Housing Loans**” for additional information about Property Value for seniors housing properties.

Cooperative Blanket Loan Definitions

When used in connection with a cooperative blanket loan and cooperative property, the following terms are defined as follows

- **Debt Service Coverage Ratio (DSCR)** – for a newly originated or seasoned cooperative blanket loan, the ratio of
 - the Net Operating Income—Cooperative Equivalent for the related cooperative mortgaged property on an annualized basis

to

- the annualized original monthly principal and interest payment or interest-only payment on the loan, calculated using the initial interest rate for both fixed-rate and ARM loans.

If the related cooperative mortgaged property also secures any existing additional mortgage loan on the issue date of the certificates, DSCR is calculated by combining the applicable annualized monthly payment for the loan and the annualized then-current monthly payment for the additional loan or loans.

- **Debt Service Coverage Ratio (DSCR) at Maximum Payment⁷**– for a newly originated or seasoned cooperative blanket loan, the ratio of

- the Net Operating Income – Rental Equivalent for the related cooperative mortgaged property on an annualized basis

to

- the highest potential debt service for the loan. For a partial interest-only loan, debt service is calculated using the payments that will apply when the loan starts to amortize. For an ARM loan, debt service is calculated at the maximum lifetime interest rate for the loan and includes amortization. If an ARM loan does not have a maximum lifetime interest rate, debt service is calculated at the variable underwriting rate used to underwrite the loan and includes amortization.

If the related cooperative mortgaged property also secures any existing additional mortgage loan on the issue date of the certificates, DSCR at Maximum Payment is calculated by combining the applicable annualized maximum monthly payment for the loan determined as set forth above and the annualized maximum monthly payment for the additional loan or loans.

- **Maintenance Fee** – the periodic fee assessed to each unit-owner of a cooperative corporation borrower to fund costs and expenses associated with ongoing operations of the cooperative mortgaged property, which expenses may include, but are not limited to, mortgage debt service, utilities, general administrative expenses, management fees, advertising, repairs and maintenance, insurance and real estate taxes, or to build reserves.

- **Net Operating Income** –

- **Newly Originated Loans** –

- **Net Operating Income—Cooperative Equivalent** – Net Operating Income equals revenue less expenses, as those terms are specially defined immediately below.

- **“Revenue”** is the sum of the maintenance fees received by the related cooperative corporation borrower plus other income, if any, generated by the cooperative mortgaged property.

⁷ DSCR at Maximum Payment was formerly known as Debt Service Coverage Ratio (DSCR) IO/ARM.

- “**Expenses**” are the sum of the operating expenses (such as utilities, general administrative expenses, management fees, advertising, replacement reserves, repairs and maintenance) and fixed expenses (such as insurance and real estate taxes) that the lender estimates in its underwriting of the loan.

The Net Operating Income—Cooperative Equivalent is presented on an annualized basis.

- **Net Operating Income – Rental Equivalent** – Net Operating Income equals revenue less expenses, as those terms are specially defined immediately below.

- “**Revenue**” is the revenue that the lender estimates would be derived from the use and operation of the related cooperative mortgaged property if the property were being operated as a multifamily rental property (assuming, with certain exceptions, that the units in the property were available for rental at prevailing market rental rates). Factors used to calculate expected revenue commonly include estimated market rental rates, net rental collections and other income, if any, generated by the property.

- “**Expenses**” are the sum of the estimated operating expenses (such as utilities, general administrative expenses, management fees, advertising, replacement reserves, repairs and maintenance) and fixed expenses (such as insurance and real estate taxes) that the lender estimates in its underwriting of the loan.

The Net Operating Income—Rental Equivalent is presented on an annualized basis. This is the net operating income value that is reported in the Net Operating Income field of the Schedule of Pool and Loan Information

- **Net Operating Income—Seasoned Loans** – Net Operating Income is the actual net operating income most recently reported to us, which is typically the Net Operating Income—Cooperative Equivalent.

Under certain circumstances, DSCR, DSCR at Maximum Payment and Net Operating Income for a cooperative mortgaged property may have negative values for a given year. See “**–Other Special Feature Mortgage Loans—Cooperative Blanket Loans**” for further information.

- **Property Value** – the value of the related cooperative mortgaged property as reported to us by the lender based on an appraisal or an alternative valuation method such as (i) a study of rents and sales comparables and an analysis of economic trends determined as if the mortgaged property were used and operated as a multifamily rental property (assuming, with certain exceptions, that the units in the property were available for rental at prevailing market rental rates), or (ii) gross sellout value where the value is based upon the sum of the gross sales prices of all units (subject to discounts on rent-restricted units) plus the aggregate unpaid principal balance of all mortgage loans secured by a lien on the cooperative mortgaged property.

Underwriting and Servicing

Underwriting and servicing requirements may differ among loans purchased under different business lines. See “**–DUS Loans—Standard DUS Loans—Underwriting and Servicing**,” “**–DUS Loans—Structured Transaction DUS Loans—Addition, Release and Substitution of Mortgaged Properties**” and “**–Negotiated Transaction Loans**” for a description of the respective requirements.

Method for Calculating Interest

Each mortgage note specifies the method for calculating interest on the related loan. The prospectus supplement will specify the method for calculating interest on the loan. Interest is generally calculated on either a 30/360 basis or an actual/360 basis. If another method is used, the method will be described in the prospectus supplement.

Calculation of the total monthly principal and interest payment for a loan using a 30/360 method is the same as the calculation for a loan using an actual/360 method. The difference between the two methods is that the amount of each monthly payment that is allocated to interest will be based on 30 days in a month for a 30/360 method and on the actual number of calendar days during the month for an actual/360 method. In a 31-day month, more of the monthly payment amount will be allocated toward interest using an actual/360 method than will be allocated toward interest using a 30/360 method. Because there are actually 365 or 366 days in a year, loans using an actual/360 method amortize more slowly and generate more interest than a loan at the same note rate using a 30/360 method. As a result, a fully amortizing loan accruing interest on an actual/360 basis is likely to have an outstanding principal balance on the stated maturity date of the loan.

Payments, Amortization and Maturity

Multifamily loans generally require monthly payments of principal and interest or payments of interest only.

Amortizing Loans

Many multifamily mortgage loans have equal monthly payments that are calculated on the basis of an amortization schedule (typically 25 or 30 years) that is longer than the term (typically 7 to 10 years) of the loan. The monthly payment includes principal and interest, with the payments set at an amount that permits the principal balance of the loan to amortize partially or fully over the amortization term. The remaining principal balance becomes due in a lump sum, or balloon payment, on the loan's contractual maturity date. Only a small portion of the principal amount of the loans will have amortized before the balloon payment on the loan is due. These loans may be fixed-rate or ARM loans.

Whether the loan will have a balloon payment due at the scheduled maturity date will depend upon the basis used for calculating interest on the loan, the original loan term, the original amortization term, and the type of monthly payments being made on the loan. Loans with balloon payments due at maturity include, for example, (i) loans with interest-only payments for part or all of the term and (ii) loans providing for principal and interest payments sufficient to pay all accrued interest and scheduled principal over an original amortization term that is longer than the original loan term.

Some multifamily mortgage loans provide for full amortization of principal over their terms. These loans may include fixed-rate loans as well as ARM loans that are reamortized each time the payment is adjusted. Most payments on these loans are allocated to interest in the early years, with greater portions of the payments allocated to principal as the loans remain outstanding. A fully amortizing loan may have a small principal balance due at the scheduled maturity date if interest on the loan was calculated on an actual/360 basis.

Interest-Only Loans

Some mortgage loans provide for the payment of interest but no principal during an initial period. There is no scheduled amortization of principal during this initial period. After this initial period, the loan will require payments of interest and principal and begin to amortize. Assuming no prepayments by the borrower, a partial interest-only loan amortizes more slowly than does a

loan of the same term and interest rate that provides for monthly payments of principal and interest for its entire term. Other mortgage loans provide for the payment of only interest during their entire term, with no scheduled amortization of principal during the entire term. Certificateholders whose certificates are backed by pools of interest-only loans will receive only interest during the interest-only period, except to the extent of borrower prepayments during the initial period. Any borrower prepayments of principal will be passed through to certificateholders, resulting in earlier than anticipated receipt of principal.

The prospectus supplement will provide this information for each loan and will identify any loan for which payments are scheduled to be made less frequently than monthly.

Non-Recourse/Recourse Loans

Multifamily mortgage loans may be non-recourse or recourse loans.

Non-Recourse Loans

Most multifamily mortgage loans are non-recourse to the borrower. Repayment of a non-recourse loan is secured solely by the mortgaged property and its cash flows; neither the borrower nor the key principals have any personal liability for the loan other than as set forth in the following paragraph. Thus, if a non-recourse loan becomes delinquent, the lender can foreclose on the mortgage loan and sell the mortgaged property but cannot look to other assets of the borrower or the key principals. The mortgage loans in your pool are non-recourse loans unless the prospectus supplement specifies that they are recourse loans.

Most non-recourse loans provide that if specified events occur, the borrowers and/or key principals will indemnify the lender for any losses that occur as a result of the event. These events generally include, among other things, a borrower's breach of environmental representations and warranties and a failure to fund and maintain required escrow and replacement reserve accounts.

Most non-recourse loans also provide that borrowers and/or key principals may become personally liable for payment of a mortgage loan under certain circumstances, including but not limited to the following:

- the borrower fails to comply with the single-asset entity requirements of the loan documents (unless the single-asset entity requirement has been waived);
- the borrower transfers the mortgaged property or direct or indirect ownership interests in the borrower other than as permitted in the loan documents;
- the borrower (i) enters into a voluntary bankruptcy or (ii) is placed into an involuntary bankruptcy with the consent, encouragement or active participation of borrower, any key principal, any payment guarantor or any affiliate of the borrower; or
- the borrower, any key principal, any payment guarantor or other affiliates makes a written material misrepresentation or material omission or engages in fraud in connection with the application for the mortgage loan, ongoing financial and other reporting, or any request for action or consent by the lender.

In our discretion, we may waive certain of the remedies outlined above.

If a borrower or key principal becomes personally liable for payment of a mortgage loan, the mortgage loan will become subject to the transfer restrictions described in **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Prepayments of Multifamily Loans—Assumptions and Transfers—Non-Recourse Loans with Guaranty.”**

Recourse Loans

If so indicated on the Multifamily Schedule of Loan Information, a mortgage loan may be recourse to the borrower or key principal. Repayment of a recourse loan is secured not only by the mortgaged property and its cash flows but also by the other assets of the borrower; the borrower or key principal has personal liability for the loan. If a recourse loan becomes delinquent, not only can the lender foreclose on the loan and sell the mortgaged property, it can pursue repayment from the borrower and its other assets and, if applicable, the key principal, subject to restrictions under certain state laws.

A loan may be a recourse loan because the loan is evidenced by a mortgage note providing for recourse or is guaranteed as to payment, in whole or in part, by a key principal for all or a portion of its term. In addition, a non-recourse loan may become a recourse loan upon the occurrence of an event specified in “*–Non-Recourse Loans.*” Transfers and assumptions of recourse loans are significantly restricted. See “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Prepayments of Multifamily Loans—Assumptions and Transfers—Recourse Loans.**”

Prepayments

Unless a multifamily loan permits defeasance, most multifamily loans permit voluntary prepayments in full during their term, sometimes after expiration of a prepayment lockout period. If so indicated in the prospectus supplement, some multifamily loans may permit voluntary partial prepayments as well. Substantially all multifamily loans require the payment of a prepayment premium if a loan is voluntarily prepaid during a specified period of time. In addition, some multifamily loans may require payment of a prepayment premium for involuntary prepayments. The prospectus supplement will disclose any lockout and prepayment premium periods, describe the prepayment premium, specify whether certificateholders will share in prepayment premiums that are collected and, if so, state the conditions under which the prepayment premiums will be shared.

Defeasance

If expressly permitted by the related mortgage loan documents and so identified in the prospectus supplement, a multifamily mortgage loan may allow defeasance, which permits a borrower to release the related mortgage property from the lien of the mortgage by defeasing the loan through the delivery of substitute collateral. Loans permitting defeasance often have initial lockout periods during which borrowers cannot elect to defease the loans. After any lockout period expires, the borrower may elect to defease the loan at any time during the defeasance period specified in the loan documents. If the loan was not defeased, the borrower may prepay the loan, without payment of any prepayment premium, during the period, if any, remaining after expiration of the defeasance period and before the loan maturity date.

After the borrower elects to defease a loan and delivers acceptable substitute collateral (federal government or agency securities), a third-party successor borrower assumes all liability under the related mortgage note and assumes the interest of the borrower, subject to our security interest, in the acceptable substitute collateral. (The successor borrower may be a corporation or another entity owned in whole or in part by Fannie Mae.) The original borrower is then released from further liability under the mortgage note, and the mortgaged property securing the loan is released from the lien of the mortgage. The defeased loan remains in the pool, and the substitute collateral securing the loan funds the scheduled principal and interest payments on the loan for the remainder of the term. Because defeasance of a loan does not result in any prepayment of principal on the loan, no prepayment premium is payable. Moreover, because the defeased loan remains in the pool, the pool will not terminate as a result of defeasance even if the defeased loan is the only loan in the pool. See “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes—Defeasance Mortgage Loans**” for a discussion of the possible tax implications of replacing the mortgaged property securing the mortgage loan with acceptable substitute collateral.

Before a loan has been defeased, it may be involuntarily prepaid in the same manner as non-defeasance loans. See “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Reamortization of Principal.**” If any involuntary prepayments are made, they will be passed through to certificateholders as full or partial early prepayments of principal. After a loan has been defeased, no involuntary prepayments will be made because (i) the loan is no longer secured by real property subject to casualty or condemnation, and (ii) the substitute collateral funds the remaining principal and interest payments for the loan. When a loan is defeased, we will disclose that information on our Web site.

Additional Characteristics of Multifamily Loans

Certain multifamily loans have characteristics that vary from the general characteristics discussed above. These may include a short loan term, a subordinate or senior position relative to another mortgage loan secured by the same property, a cross-default/cross-collateralization with another mortgage loan, a mortgage lien on a leasehold interest, associated mezzanine financing or preferred equity or a complex borrower ownership structure. Some of these characteristics are described below.

Bridge Loans

Certain multifamily loans may be secured by a mortgaged property that is either (i) newly constructed and currently leasing up to typical underwriting performance levels, or (ii) an older property that has been renovated to be repositioned in the market. The mortgaged property may be a stabilized multifamily property or a multifamily property that has not yet reached stabilized occupancy and/or required performance levels. Bridge loans are interest-only loans throughout their term and generally have a term of 36 months. No prepayments are permitted on a bridge loan during the first year of its term. After that date, the borrower may prepay the loan in full at any time without payment of any prepayment premium.

Loans Secured by Leasehold Interests

A borrower may be the lessee under a ground lease on real property. In that case, the mortgage loan may be secured by a mortgage on the borrower’s leasehold interest. We generally require a ground lease securing a balloon or interest-only mortgage loan to have a term that extends at least 30 years beyond the maturity date of the loan. We generally require a ground lease securing a fully amortizing mortgage loan to have a term that extends at least until the maturity date of the loan. In addition, the mortgage loan documents require that the borrower pay all rent and other costs and expenses required under the ground lease and comply with the other provisions of the ground lease. The borrower’s failure to do so is an event of default under the mortgage loan, which will entitle us to declare the entire unpaid principal balance of the mortgage loan due and payable. If we do so, and the unpaid principal balance is paid in full, you will receive an early prepayment of principal.

Mortgaged Property Encumbered by Condominium Regime

Although a borrower may hold all necessary permits and approvals to operate a new property under a condominium ownership arrangement or to convert an existing property to a condominium ownership arrangement, the borrower may decide to operate the property as a rental property. In these circumstances, the related loan documents require that the borrower operate the property as a rental property and prohibit the borrower from modifying the condominium documents or selling any condominium unit during the term of the loan without the lender’s prior written consent. The borrower’s failure to comply with the prohibition on operation of a condominium could trigger an event of default under the mortgage loan.

In other cases, a multifamily property operated as a rental property is part of an overall condominium project bound by the restrictions and requirements set forth in the condominium documents for the larger project. In these circumstances, the related loan documents generally require that the borrower pay all amounts required by, and comply with the provisions of, the condominium documents. The borrower's failure to comply with the condominium documents could trigger an event of default under the mortgage loan.

In still other cases, the borrower may not own all of the residential units in a multifamily property with a condominium regime that is instead operated as a rental property. The remaining units are owned by third parties. If the borrower does not own all of the residential units located at the property, it is likely that the entire property continues to be bound by the restrictions and requirements of the condominium regime and subject to the risk described in the preceding paragraph. Moreover, if the borrower does not own all of the residential units, the mortgage loan documents generally require the borrower to use reasonable efforts to purchase the units held by third parties when those units become available for sale. The mortgage loan documents further provide that any purchased units are added to the mortgaged property collateral for the mortgage loan. As such, the borrower is expected to make those units available for rental as part of the overall multifamily property. The borrower's failure to comply with these requirements could trigger an event of default under the mortgage loan.

In any of these cases, if there is an event of default under the mortgage loan, we may declare the entire unpaid principal balance of the mortgage loan due and payable. If we do so, and the unpaid principal balance is paid in full, you will receive an early prepayment of principal.

Senior and Subordinate Loans

At the issue date of the certificates, a mortgage loan in your pool may be subordinate to an existing senior mortgage loan secured by the same mortgaged property. Payment in full of the senior mortgage loan generally would result in an increase in the priority of the subordinate loan in your pool. If a new mortgage loan secured by the mortgaged property was then made to the borrower, the new loan would generally be subordinate to the mortgage loan in your pool. In certain cases, however, we may approve, at our discretion, a request to subordinate the lien of the existing mortgage loan in your pool to the lien of the new mortgage loan.

Generally, an event of default on any mortgage loan that is secured by a mortgage on the mortgaged property that secures a mortgage loan in your pool will trigger an event of default on the mortgage loan in your pool, which will entitle us to declare the entire unpaid principal balance of the mortgage loan due in your pool and payable. If we do so, and the unpaid principal balance is paid in full, you will receive an early prepayment of principal. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Existing and Future Additional Mortgage Liens.”**

The prospectus supplement will indicate whether the mortgage loan in your pool is a subordinate lien mortgage loan and, if the information is available, the existence of any other mortgage loan secured by the mortgaged property but subordinate to the mortgage loan in your pool.

Cross-Collateralized and Cross-Defaulted Loans

Multifamily loans are sometimes cross-defaulted or cross-defaulted and cross-collateralized with one or more other mortgage loans. Mortgage loans can be crossed when they have either a common borrower or different borrowers that are owned by a common entity. Crossed loans may be held in the same pool or in different pools, or one of the crossed loans may be owned by us. The prospectus supplement will specify if a loan in your pool is cross-defaulted and/or cross-collateralized with another loan and provide information about the crossed loan or loans. The prospectus supplement will also describe any criteria to be satisfied before a loan may be released from the cross-default and/or cross-collateralization restrictions.

If a mortgage loan in your pool is cross-defaulted with another mortgage loan (whether or not that crossed loan is included in your pool) an event of default under the crossed loan may trigger an event of default under the loan in your pool. In this case, not only may we declare the defaulted crossed loan immediately due and payable, but we also may declare the loan in your pool immediately due and payable. If that occurs, you will receive an early payment of principal from the loan in your pool.

A mortgage loan in your pool may also be cross-collateralized with another mortgage loan. Cross-collateralization provisions expand the collateral available for repayment of one loan to include not only the related mortgaged property but also the mortgaged property securing the crossed loan. As a result, whether or not the crossed loan is included in your pool, the mortgaged property securing the loan in your pool also secures the crossed loan, and the crossed mortgaged property secures the mortgage loan in your pool.

An event of default under a crossed loan may entitle the holder of the crossed loan to foreclose on and sell not only the crossed mortgaged property but also the mortgaged property securing the loan in your pool. If the loan in your pool defaults and payment of the unpaid principal balance is accelerated, or if the related mortgaged property is sold to satisfy the obligations under the loan or the crossed loan, there will be a full prepayment of principal to certificateholders.

A mortgage loan in your pool may also provide that it may be cross-defaulted or cross-defaulted/cross-collateralized with a mortgage loan to be made in the future. If so, the prospectus supplement will identify or describe the future loan. Once the future loan has been made, the future loan will be a crossed loan, and the mortgage loan will be subject to the restrictions and results described above.

In some cases, the parties to a new mortgage loan may want to cross-default the loan with an existing loan even though the loan documents for the existing loan do not provide for a cross-default with a new mortgage loan and the prospectus supplement for the MBS holding the existing loan did not disclose the possibility of a later cross-default. In these cases, we will permit the loan documents for the new mortgage loan to provide that a default under the existing mortgage loan will be an event of default under the new mortgage loan; however, we will not permit the loan documents for the existing loan to be modified to provide that an event of default under the new mortgage loan will be an event of default under the existing mortgage loan. The prospectus supplement for the MBS holding the new loan will disclose whether a mortgage loan in the pool is subject to a cross-default with an existing loan.

Mezzanine Loans and Preferred Equity

A mortgage loan may have associated subordinate financing in the form of either a mezzanine loan or preferred equity that exists at, or may be added after, the issue date of the certificates.

Mezzanine Loans

In a mezzanine loan structure, the direct or indirect equity owners of the mortgage borrower (the “mezzanine borrower”) borrow funds secured by a pledge of their equity ownership interests in the mortgage borrower (for example, partnership interests in a limited partnership or membership interests in a limited liability company). Mezzanine debt is not an obligation of the mortgage borrower and is not secured by the mortgaged property. The mortgage loan documents generally prohibit the mortgage borrower from distributing any cash flow to the mezzanine borrower or its equity owners if any amounts due under the mortgage loan have not been paid. If the mezzanine borrower defaults on the mezzanine loan and the mezzanine lender forecloses on the pledge, the mortgage borrower would continue to own the mortgaged property and to be obligated under the mortgage loan. However, there would be a change in control of the mortgage borrower because the mezzanine lender would become the direct or indirect equity owner of the mortgage borrower.

We may participate in a variety of arrangements that involve mezzanine debt. In one arrangement, we have invested as a passive, limited liability investor in a limited partnership or a limited liability company (a “fund”) in which an unaffiliated third-party investor has operational and managerial control. This fund makes mezzanine loans, some of which may be made to the equity owners of a mortgage borrower obligated on a mortgage loan that is then held, or may in the future be held, in a trust.

In another arrangement, a multifamily lender makes a mezzanine loan to the direct or indirect equity owners of a mortgage borrower at the same time that it makes a mortgage loan to the mortgage borrower. The lender then transfers the mortgage loan to us in exchange for cash or an MBS and transfers the mezzanine loan to us for cash. We immediately sell the mezzanine loan to an unaffiliated third-party mezzanine investor. Under this arrangement, we may be required to purchase the mezzanine loan if both we and the mezzanine lender determine that the mezzanine loan was not underwritten in accordance with certain pre-approved underwriting standards. Our obligation to purchase the mezzanine loan is in effect for only a limited period after the mezzanine loan has been sold to the mezzanine lender. If we purchase the mezzanine loan and the mezzanine borrower then defaults, we may foreclose on the equity interests in the mortgage borrower. We will then become the owner of the equity interests in the mortgage borrower.

When a mezzanine loan is present, we generally enter into an intercreditor agreement with the mezzanine lender that requires cash flow from the mortgaged property to be used first for all payments due under the mortgage loan including debt service, repairs and reserves. Moreover, an intercreditor agreement generally restricts the ability of the mezzanine lender to (i) transfer the mezzanine loan or a controlling interest in the mezzanine loan, (ii) transfer a controlling interest in itself, or (iii) exercise its remedies upon a default under the mezzanine loan. An intercreditor agreement also imposes certain limitations on the mezzanine lender’s right to cure a default under the mortgage loan.

We also permit approved multifamily lenders and other third parties to make mezzanine loans to the equity owners of a mortgage borrower at the same time a multifamily lender makes a mortgage loan to the mortgage borrower. These transactions may be structured in a variety of ways. However, we will not permit a mezzanine loan to be secured by the mortgaged property. Certain of these and other arrangements may cause conflicts of interest. See “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Mezzanine Financing and Preferred Equity**” in this prospectus.

Preferred Equity

In a preferred equity structure, the party making the investment (the “preferred equity investor”) makes a capital contribution in exchange for a direct or indirect equity share in the mortgage borrower or a parent or affiliate that controls the mortgage borrower. The preferred equity investor is typically either a limited partner of a limited partnership or a non-managing member of a limited liability company.

A preferred equity investor has a preferred right of payment over the holders of common equity and may require periodic payments of principal and deemed interest on the amount of the preferred equity contribution until its equity investment is repaid and an agreed-upon return is achieved. Moreover, a preferred equity investor may have rights and remedies against the other equity owners in the mortgage borrower if the mortgage borrower fails to pay the preferred equity investor as required by the preferred equity arrangement or fails to achieve specified financial, personal or other performance benchmarks. Like all equity distributions, payments to a preferred equity investor in a mortgage borrower are generally made from the net cash flow generated from the mortgaged property. (“Net cash flow” generally means cash flow remaining after satisfaction of all mortgage loan payment and funding obligations and the operating expenses of the property). The consequences of a failure to make preferred equity payments to preferred equity investors vary among different preferred equity structures and specific transactions.

In preferred equity structures with payment obligations only to the extent of available cash flow, the preferred equity investor generally does not have the right to accelerate or increase the preferred equity payments. In some cases, however, if the preferred equity payments are not made, or if other performance benchmarks are not satisfied, the preferred equity investor may have the right to cause a change in control of the mortgage borrower and, if a change in control occurs, may decide to sell the mortgaged property. We generally do not disclose the presence of preferred equity associated with a mortgage loan in a pool if the preferred equity has these characteristics.

Certain other preferred equity structures have characteristics more often associated with mezzanine loans such as mandatory minimum equity payments regardless of whether the net cash flow generated by the mortgaged property is sufficient to make the payments, and a stated maturity date, and often require a pledge to the preferred equity investor of the other direct or indirect ownership interests in the mortgage borrower. If the preferred equity payments are not made, the preferred equity investor may have any or all of the following rights, among others: the right to accelerate or increase the preferred equity payments; the right to cause a change in control of the borrower; the right to dilute the ownership of the holders of the common equity; and the right to force a sale of the mortgaged property. We will disclose the terms of this form of preferred equity in the related prospectus supplement to the same extent that we would if it were mezzanine debt.

Borrower Characteristics and Borrower Ownership Structures

We describe below some common characteristics of borrowers on multifamily loans and common borrower ownership structures.

Single-Asset Entity Borrower

A borrower on a non-recourse mortgage loan is generally required to own no assets other than the real property, furniture and fixtures that secure the loan. The mortgage loan documents generally provide that a violation of this requirement by a borrower will trigger an event of default under the loan. A borrower on a recourse mortgage loan is generally permitted to own additional assets, as specified in the related mortgage loan documents.

Borrower or Affiliate with Limited Term of Existence

A borrower or the holder of a significant equity ownership interest in a borrower (or any successor borrower) may have a form of organization with a limited term of existence that is scheduled to end before the maturity date of a mortgage loan in a pool. This may create an incentive for the mortgaged property to be sold on or before the termination date of the borrower or holder by having the loan assumed by a new borrower or by prepaying the loan with sale proceeds. If the mortgage loan were to be prepaid, you would receive an early distribution of principal of the loan.

Borrower Involved in a Section 1031 Exchange

A borrower sometimes acquires a property through a Section 1031 exchange or Section 1031 reverse exchange. In these cases, it is common to include in the mortgage loan documents a requirement that the Section 1031 exchange or Section 1031 reverse exchange be completed by a certain date and a requirement that certain transfers of ownership interest in the borrower occur in connection with the transaction. A borrower's failure to fulfill these requirements will trigger an event of default under the loan.

Tenancy-In-Common Borrower

A borrower may be a tenancy-in-common borrower. A tenancy-in-common is formed by two or more persons or entities, each of which has an undivided interest in the assets of the tenancy-in-common. To ensure that control of the tenancy-in-common is maintained by one or more of the original parties, the mortgage loan documents generally restrict certain transfers of interests.

Moreover, in certain cases, the mortgage loan documents may prohibit the tenancy-in-common parties from amending the tenancy-in-common agreement or taking other specified actions without our consent. The failure of a tenancy-in-common borrower to comply with these provisions would be an event of default under the loan, which may result in acceleration and prepayment in full of the loan, resulting in a prepayment of principal to certificateholders.

Fannie Mae as Holder of Equity Interests in Owners of Mortgaged Properties

A pool may contain one or more mortgage loans secured by mortgaged properties owned by mortgage borrowers in which we either currently hold or in the future may acquire an indirect equity interest. We typically hold a noncontrolling passive equity interest in a mortgage borrower only when unaffiliated third parties also own equity interests in the mortgage borrower. If one of these mortgage loans goes into default, we may be required to contract with a party not affiliated with Fannie Mae to perform certain servicing functions.

Primary Servicer as Holder of Equity Interests in Owners of Mortgaged Properties

A pool may contain one or more mortgage loans secured by mortgaged properties owned by mortgage borrowers in which a primary servicer of one or more of the mortgage loans either currently holds or in the future may acquire a direct or indirect equity interest, creating the potential for a conflict of interest. If the primary servicer has a controlling equity interest in a mortgage borrower, we generally do not allow the servicer to have any loss sharing obligations with us on any related mortgage loans. In addition, we reserve the right, in our sole discretion, to remove the servicer if we believe that any related mortgage loan is at a material risk of default. Moreover, if the borrower defaults on such a mortgage loan, we may take a more active role in reviewing and approving actions taken to resolve the delinquency than is customary. If the primary servicer owns a direct or indirect equity interest in the mortgage borrower on a loan in your pool, we will disclose the existence of the equity interest in the related prospectus supplement.

Affordable Housing Loans

An “affordable housing loan” is a multifamily loan on a mortgaged property encumbered by a regulatory agreement or recorded restriction that limits rents, imposes income restrictions on tenants or places other restrictions on the use of the property. While governmental entities generally impose these restrictions, borrowers sometimes voluntarily record these restrictions to preserve the property as affordable housing. Affordable housing loans include but are not limited to loans on mortgaged properties whose owners receive a Low-Income Housing Tax Credit (“LIHTC”) under section 42 of the Internal Revenue Code and the related Treasury regulations.

In the case of most affordable housing mortgage loans, the loan documents generally require a borrower to fund a transition reserve account for use if the housing assistance regulatory contract is not renewed or a subsidy is not continued. The funds in the reserve account may be used to transition the mortgaged property to a market rental property.

The “Property Value” of an affordable housing property may include, as is the case with most multifamily properties, the value of the furniture, fixtures and equipment, as well as the value of improvements to be completed after the issue date of the certificates with funds set aside in escrow or reserve accounts. With respect to the disclosures set forth in “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes**,” the “fair market value” of an affordable housing collateral property is the Property Value less the furniture, fixtures and equipment value and further excluding the value of the planned improvements. If the fair market value (as defined above) of an affordable housing collateral property is lower than the unpaid principal balance of the related mortgage loan on the issue date of the certificates, the related prospectus supplement will include relevant disclosure.

LIHTC Loans

Section 42 provides a LIHTC for an owner of a residential rental property that meets the definition of a “qualified low-income housing project” where the owner has received a tax credit

allocation from the state or local allocating agency. (LIHTC may also be claimed without an allocation where 50% or more of the aggregate basis in the land and buildings are financed by proceeds of tax-exempt bonds that are subject to the volume cap under section 146 of the Internal Revenue Code.) The total amount of LIHTC the owner is entitled to receive is based upon the percentage of total units made available to qualified tenants.

For a property to qualify under section 42 (a “qualified property”), the owner of the property securing the loan must make an irrevocable election of one of the following options:

- at least 20% of all units must be rented to tenants with households earning 50% or less of the annual HUD median income for that area (as adjusted for family size); or
- at least 40% of all units must be rented to tenants with households earning 60% or less of the annual HUD median income for that area (as adjusted for family size).

Median income is determined annually by the U.S. Department of Housing and Urban Development, “HUD,” and is available for each metropolitan area or county in the United States.

In addition, section 42 requires that gross rent for each unit not exceed 30% of the restricted income described in the bulleted clauses above as chosen by the project owner. The gross rent charged for a unit must take into account an allowance for utilities. If utilities are paid by the tenant, the maximum allowable tax credit rent is reduced according to utility allowances, as provided in Treasury regulations.

Under the tax credit provisions, a property owner must comply with the tenant income restrictions and rental restrictions over a 15-year compliance period. Moreover, section 42(h)(6) of the Internal Revenue Code requires that any agreement governing the property have an “extended use period” that has the effect of extending the income and rental restrictions for an additional period, typically 15 years. If a qualified property is acquired through foreclosure or deed-in-lieu of foreclosure, section 42 generally requires the holder of the related mortgage loan to permit all tenants in low-income units to continue to occupy the units at rental levels in compliance with the restrictions set forth in that section for three years after the acquisition.

If a qualified property does not maintain compliance with section 42, the owners of the qualified property may lose the LIHTC related to the period of the noncompliance and face the partial recapture of previously taken LIHTC, in addition to other penalties. This could lead to an event of default under the mortgage, acceleration of the mortgage loan and the early prepayment of the related certificates. See **“RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Mortgage Loans.”**

Many qualified properties also benefit from other federal, state or local credits or subsidies that may impose additional encumbrances and restrictions differing from those required by section 42.

The prospectus supplement will indicate whether a pool includes an affordable housing loan that qualifies for LIHTC.

Other Affordable Housing Loans

Many affordable housing mortgage loans are secured by properties that are not financed with tax credits and do not comply with section 42 of the Internal Revenue Code. These properties are generally encumbered by a regulatory agreement, deed restriction, housing assistance contract, or similar provision that limits rents, imposes income restrictions on tenants or places other restrictions on the property in exchange for property tax assistance, interest reduction payments or other subsidies from federal, state or local agencies or organizations. The encumbrances and restrictions on these properties often differ from those that would be required by section 42. Even if a property has no subsidy, a borrower may forgo charging market rents in an effort to keep the property affordable.

In some cases, a subsidy may be in the form of a loan made by the agency or organization and secured by a subordinate lien on the mortgaged property. The terms of these loans are usually favorable to the borrower: a low interest rate, a low monthly payment or no monthly payment at all, a long loan term, etc. We sometimes refer to these arrangements as “soft” financing. We review any soft financing present on a mortgaged property to determine if it is likely to have any material adverse effect on the property’s cash flow. If we conclude that the soft financing is unlikely to have such an effect, we typically do not include disclosure about the financing or include the terms of the financing in the loan-to-value and debt service coverage ratios disclosed for the loan.

Community Reinvestment Act Loans

Unless the prospectus supplement states otherwise, we make no representation as to whether certificates backed by affordable housing mortgage loans will receive positive consideration in a banking institution’s examination under the Community Reinvestment Act of 1977 (the “CRA”). An investor must make its own determination as to whether a certificate of a particular issuance meets the CRA objectives of the investor or meets other objectives relevant to that investor.

FHA Risk Sharing Loans

As part of our mission to promote affordable rental housing, we are parties to an Amended and Restated Multifamily Risk Sharing agreement with HUD under which we acquire multifamily affordable housing loans and share the risk of loss with HUD. Our agreement with HUD allows two different executions: Standard Risk Sharing and Green Preservation Plus.

Under both FHA risk sharing executions, the loans are underwritten according to our DUS guidelines for affordable housing, documented on our form of loan documents, and serviced under our DUS servicing guidelines. Under the Standard Risk Sharing execution, HUD and Fannie Mae each assume 50% of the risk of loss on the loans. Under the Green Preservation Plus execution, HUD takes a first loss position of approximately 4.35% on the outstanding principal balance of loans secured by multifamily properties that involve general property improvements, housing preservations and/or have an energy or water efficiency measures green retrofit component. After HUD takes the first loss, HUD and Fannie Mae each assume 50% of the remaining risk of loss on the loans.

Other Special Feature Mortgage Loans

Some mortgage loans have special features that distinguish them from standard multifamily loans. The special features may include the type of multifamily mortgaged property securing the loan, the characteristics of the tenants or other features. The prospectus supplement will indicate whether your pool contains any special feature mortgage loans.

Cooperative Blanket Loans

A “cooperative blanket loan” is a multifamily loan made to a cooperative housing corporation borrower (a “co-op corporation borrower”) and secured by a first or subordinate lien on a cooperative multifamily housing project that contains five or more units (a “co-op project”). The co-op corporation borrower owns the co-op project, including all the individual dwelling units as well as the common areas, and owns (or leases) the land on which the co-op project is built. The co-op corporation borrower manages the co-op project and generally is responsible for paying real property taxes, hazard and liability insurance premiums and other expenses of the co-op project. The co-op corporation borrower is required under the loan documents to maintain a reserve covering operating and capital expenses. A failure to maintain the required reserve balance would be an event of default under the cooperative blanket loan.

The owners of a co-op corporation borrower (the “unit-owners”) do not buy their respective dwelling units but rather acquire ownership interests in the co-op corporation borrower with rights to occupy their units. Financing used by a unit-owner to acquire an interest in the co-op corporation borrower is not related to the cooperative blanket loan. In some cases, the co-op corporation borrower itself may hold the rights to one or more of the units, which are made available for rental.

A co-op corporation borrower is a not-for-profit entity that seeks to collect only those funds necessary to cover operating expenses and debt service on the cooperative blanket loan. The unit-owners generally must pay a proportional share of the operating expenses and debt service payments on the cooperative blanket loan. If a unit-owner fails to do so, the co-op corporation borrower can terminate the unit-owner’s occupancy rights. Because a substantial portion of the co-op corporation borrower’s cash flow is received from required payments by the unit-owners and from rental payments by tenants occupying the borrower-owned units, the borrower’s ability to meet its debt service obligations on the cooperative blanket loan is dependent on the timely receipt of maintenance fee payments from unit-owners.

When an unanticipated expenditure is required, the co-op corporation borrower may need to increase maintenance charges or declare special assessments on the unit-owners. The co-op corporation borrower must then collect the additional maintenance charges or the special assessment from each of the unit-owners. In some cases, the co-op corporation borrower may decide to pay for the unanticipated expenditure from the co-op corporation’s reserve account. If that occurs, the co-op project’s net operating income and DSCR for the year in which the expenditure was made may have negative values.

Special definitions generally apply to cooperative blanket loans. See “**—General Characteristics of Multifamily Loans—Defined Terms—Cooperative Blanket Loan Definitions.**” Also see “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Mortgage Loans.**”

Dedicated Student Housing Loans

Loans may be secured by multifamily properties in which college or graduate students make up a significant portion of the tenants. A “dedicated student housing loan” is a loan secured by a multifamily property in which 80% or more of the units are leased to college or graduate students. A dedicated student housing property (i) may have been specifically constructed as student housing or may have been built as a typical multifamily project that now functions as student housing; (ii) is typically located in the vicinity of a college with at least 10,000 students, over 50% of whom are full-time students, and (iii) is located within a specified distance from the college campus or is located on a college-sanctioned direct public transportation line.

In dedicated student housing properties, students generally must sign leases with a minimum term of one year. In most cases, either a parent guarantees the student’s lease obligations or the student leasing the unit has the financial ability to meet the lease obligations (whether through employment or other documented financial means). Students may or may not remain in the same units during the following school year. We review dedicated student housing loans before agreeing to purchase the loans because of the concentration of students as tenants, the expenses incurred in repairing and refurbishing the units for re-rental, and the high turnover of tenants at the end of a semester or school year. In addition, some dedicated student housing properties may not be readily convertible to conventional multifamily properties. See “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Mortgage Loans.**”

Manufactured Housing Community Loans

A “manufactured housing community loan” is a loan secured by a residential development that consists of sites for manufactured homes and includes utilities, roads and other infrastructure and,

in some cases, landscaping and various other amenities such as a clubhouse, swimming pool, tennis and/or sports courts. A manufactured housing community leases its sites to owners of manufactured homes and furnishes a connection to the utilities that it provides. In some limited circumstances, the owner of the manufactured housing community also may own manufactured homes that are then leased to tenants or that are used as a rental center, clubhouse, launderette or other amenity. The tenants pay ground rent for the use and occupancy of their sites and, generally, for the use of the utilities, common facilities and any amenities. The owner of the manufactured housing community, in turn, pays the cost to maintain and operate the common areas and amenities, real property taxes, insurance, including hazard and comprehensive general liability, and any utilities that are not otherwise separately metered or billed to the tenants.

Manufactured housing community loan documents generally prohibit a borrower from engaging in the retail sale of manufactured homes on the mortgaged property or in a lease of a manufactured home that would convert into a sale. A borrower's failure to comply with this prohibition is an event of default under the loan. In addition, some manufactured housing communities are age-restricted, meaning that at least one or, in many cases, all of the residents be over a certain age, usually 55 years old. The mortgage loan documents generally provide that the failure to maintain the age restriction is an event of default under the mortgage loan. See "**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Mortgage Loans.**"

Military Housing Loans

A "military housing loan" is a loan secured by a multifamily property in which more than 20% of the units are occupied by persons serving in or employed by the military or which is located in an area where military and military-related employment accounts for 20% or more of the local employment base. The properties are located on or near military bases. In some cases, the military bases may be in isolated areas. The underwriting and servicing requirements for military housing loans may differ from loans generally purchased by Fannie Mae because of the limited pool of potential tenants, the ability of the military to deploy military personnel, the economic dependence of the tenants on the military employer and the possibility of a reduction in the size of a military base or the closure of the base. See "**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Mortgage Loans.**"

Rural Rental Guaranty Housing Loans

A "Rural Rental Housing loan" is secured by an affordable multifamily property located within specified rural areas designated by the USDA Rural Housing Service pursuant to its Rural Rental Housing Program. The USDA guarantees up to 90% of any loss incurred upon liquidation of loans it has approved, provided that the lender has underwritten and serviced the loan in accordance with the USDA requirements. These rural housing loans are generally made on smaller multifamily properties that are located outside major urban centers. The underwriting and servicing requirements for these loans may differ from loans generally purchased by Fannie Mae because of the size of the multifamily properties, the limited pool of potential tenants, and the economic dependence of the tenants on only a few employers. Rural Rental Housing loans in amounts up to \$1.5 million typically receive interest credit subsidies to permanently reduce the interest rate on the loan. The subsidies are paid to the lenders and are subject to termination in the case of a default.

Rural Rental Housing loans include but are not limited to affordable housing loans that qualify for a LIHTC. For a discussion of loans that qualify for a LIHTC, see "**—Affordable Housing Loans**" above. Also see "**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Loans.**"

Seniors Housing Loans

A seniors housing loan is a multifamily loan secured by a seniors housing facility that contains any of the following types of units: independent living, assisted living and/or Alzheimer's/dementia care. A seniors housing facility may include a limited number of units providing skilled nursing care; however, stand-alone facilities providing only skilled nursing care are not eligible for seniors housing loans. These facilities are intended to be used by elderly residents for whom the owner or operator provides special services that are typically associated with independent living, assisted living or Alzheimer's/dementia care.

The services provided to residents living in independent living facilities, or facilities with independent living units, generally include recreational activities, one to three meals each day through central dining services, weekly housekeeping, social activities and laundry. The services provided to residents living in assisted living and Alzheimer's/dementia care facilities, or facilities with these types of units, generally include the services provided in independent living as well as additional special services for personal care, assistance with activities of daily living and, in some cases, monitoring of medication. The services provided to residents living in Alzheimer's/dementia care units may also include additional personal care assistance for activities including socialization, eating, dressing and bathing depending upon a resident's needs.

The cost of the special services provided to the residents of assisted living and Alzheimer's/dementia care units may be covered by a resident's basic service package or may be billed separately to the resident. "Net Operating Income" is specially defined for seniors housing loans as the revenue that the lender estimates will be generated from the use and operation of the related mortgaged property (primarily estimated market rental rates and service income for facilities that provide independent living, assisted living or Alzheimer's/dementia care) less estimated operating expenses (such as utilities, food service, housekeeping, laundry, general administrative expenses, management fees, advertising and repairs and maintenance) and estimated fixed expenses (such as insurance, real estate taxes and replacement reserves), all calculated on an annual basis.

Medicaid may pay a portion of the costs of care or health services provided under a residency agreement to residents of assisted living or Alzheimer's/dementia care units. In those cases, the borrower may enter into an agreement providing that funds from a reserve account will be disbursed and made available if Medicaid funds paid on behalf of the residents are limited or eliminated in the future.

At seniors housing facilities, the demand for units of one type may exceed the availability of units of that type. To meet this demand, a borrower may decide either to convert units of one type to units of another type or to expand the property by constructing additional units and related improvements. A borrower may also decide to renovate existing units and common areas (dining rooms, meeting rooms, etc.). Under certain circumstances, and in accordance with our guidelines, we may approve a borrower's plan to convert units or to renovate or expand a facility if we determine that the borrower's ability to meet its obligations under the related mortgage loan will not be adversely affected by the proposed action.

The "Property Value" of a seniors housing property may include business enterprise value and the value of the furniture, fixtures and equipment. With respect to the disclosures set forth in "**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes**," the "fair market value" of a seniors housing collateral property is the Property Value less the sum of (i) the business enterprise value, and (ii) the furniture, fixtures and equipment value. If the fair market value (as defined above) of a seniors housing collateral property is lower than the unpaid principal balance of the related mortgage loan on the issue date of the certificates, or if we are unable to determine the fair market value of a seniors housing collateral property on that date, the related prospectus supplement will include relevant disclosure.

See “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Affordable Housing Loans and Other Special Feature Mortgage Loans.**”

DUS Loans

A substantial portion of the mortgage loans that we acquire and securitize are loans originated by lenders under our Delegated Underwriting and Servicing business line (“DUS”). DUS loans may be newly originated or seasoned loans. Although DUS lenders occasionally deliver seasoned DUS loans to us for immediate securitization, most seasoned DUS loans that we securitize were purchased by us for cash and then held in our mortgage loan portfolio for some period of time. We permit only multifamily lenders specifically approved by us to act as DUS lenders and deliver DUS loans. Our current DUS lenders are identified on our Web site.

We have two general types of DUS products, our standard DUS loans (“DUS loans”) and our structured transaction DUS loans (“structured DUS loans”). Both types of loans are underwritten and serviced according to the guidelines set forth in the Multifamily Selling and Servicing Guide (the “Multifamily Guide”), which may be modified for certain loans or transactions. Each type is separately discussed below.

Standard DUS Loans

A DUS loan is generally governed by the Multifamily Guide and documented on our standard multifamily loan documents, including a loan and security agreement, a promissory note and a mortgage, deed of trust or other security instrument. (Some newly originated or seasoned DUS loans may have been documented on earlier forms of loan documents.) In a typical DUS loan transaction, the lender makes no commitment to the borrower with regard to further advances or loans in that DUS loan transaction.

Most DUS loans are first lien or second lien mortgage loans that are non-recourse to the borrower, although recourse loans are not uncommon. See “**—General Characteristics of Multifamily Loans—Non-Recourse/Recourse Loans.**” Most of the loans permit voluntary prepayments in full upon the payment of prepayment premiums. Defeasance loans, multifamily affordable housing loans, subordinate lien loans and the loans described under “**—Other Special Feature Mortgage Loans**” also may be originated as DUS loans and deposited into DUS pools. Most DUS pools contain only one mortgage loan but may contain two or more related mortgage loans.

The prospectus supplement will indicate whether the loans in a pool were originated as DUS loans.

Delivery

When a DUS lender delivers interest-bearing DUS loans to us, the lender may sell the delivered loans to us for cash or the lender may exchange the delivered loans for certificates that evidence an interest in one or more underlying pools that contain the delivered loans. If the DUS lender decides to exchange the loans for certificates, the DUS lender may retain the certificates or sell the certificates to a third-party investor. A DUS lender may sometimes sell certificates to an investor at a premium over their face value. On occasion, we may share with the DUS lender a portion of the premium paid by the investor.

If the DUS lender decides to sell the loans to us for cash, we place the loans in our loan portfolio. Once the loans are in our loan portfolio, we may retain them in our loan portfolio until their maturity, or we may hold them for some period of time and then deposit them into portfolio pools and issue certificates backed by the loans. We may then sell the certificates to third-party investors or place the certificates in our securities portfolio.

Underwriting and Servicing

We delegate to the DUS lenders the responsibility for underwriting and servicing DUS loans. DUS loans are underwritten and serviced according to the guidelines set forth in the Multifamily

Guide, which may be modified for certain loans or transactions. The Multifamily Guide provides that, when purchased, each DUS loan is assigned to one of four underwriting tiers (“tiers”). Each tier has minimum underwritten debt service coverage ratio and maximum underwritten loan-to-value ratio requirements. The required values may be changed from time to time. The tier associated with a DUS loan is a pricing attribute and should not be relied upon to predict performance of the loan. The Multifamily Schedule of Loan Information discloses the tier for each DUS loan in a pool.

Loss Sharing

In return for our delegation of the responsibility for underwriting and servicing DUS loans, the DUS lenders enter into arrangements with us that specify the method of sharing any losses on the DUS loans that they deliver and/or service. These arrangements vary among DUS lenders and may provide for different loss sharing among various transactions, ranging from the DUS lender bearing a specified first loss percentage for a transaction to a DUS lender having no loss sharing obligation for a transaction.

Waivers

Our underwriting guidelines in the Multifamily Guide are guidelines and not rigid requirements. When a borrower requests the waiver of one or more of the underwriting guidelines with respect to a DUS mortgage loan, the waiver is granted when the waiver is deemed to be prudent given all the circumstances. Those circumstances may include the creditworthiness of the borrower and its related principals or competitive pressures in a particular market. For example, one guideline that may be waived is the requirement that each borrower be a single asset entity. This requirement is designed to provide protection against the possibility that the borrower will become bankrupt, but the requirement is sometimes waived if the borrower has a strong credit rating, particularly if the loan is relatively small in size. In addition, our guidelines prohibit assumptions by new borrowers or transfers of interests in borrowers without the prior consent of the lender or us and payment of a transfer fee and/or assumption fee. When requested, however, loan documents may permit transfers of minor interests or to family limited partnerships or other estate planning vehicles without prior consent or payment of a fee.

While both Fannie Mae and the lender must approve certain waivers, the lender in its discretion may approve many waivers without obtaining our approval. When a waiver requires our approval, we may grant or deny the waiver in our discretion.

Future Encumbrances

Where permitted under the Multifamily Guide, a borrower may place one or more subordinate or supplemental loans, indebtedness or other obligations secured by additional liens on the mortgaged property that is already securing a DUS loan so long as we determine that the loan complies with our then-current underwriting guidelines. An event of default under a subordinate lien mortgage loan or other indebtedness or obligations (i) may trigger an event of default under the related DUS loan and (ii) may entitle the holder of the subordinate mortgage lien to foreclose on and sell the mortgaged property subject to the lien of the DUS loan. See **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Existing and Future Additional Mortgage Liens.”**

Tier Drop Eligible DUS Loans

A “tier drop eligible DUS loan” is a loan that permits a “tier drop subordinate loan” to be placed on the related mortgaged property. A “tier drop subordinate loan” is a subordinate DUS loan that, when combined with the related senior DUS loan, has a combined loan-to-value ratio greater than, and/or a combined debt service coverage ratio less than (a) (i) if the senior DUS loan

backs MBS certificates, the respective values set forth in the prospectus supplement related to the certificates backed by the senior DUS loan or (ii) if the senior DUS loan is held in our loan portfolio, the respective values applicable at the time we acquired the senior DUS loan, and (b) the respective values required by the tier applicable to the senior DUS loan on the issue date of the certificates offered hereby. All DUS loans in the upper two tiers are “tier drop eligible DUS loans” unless the prospectus supplement indicates otherwise.

Prepayment Premiums

DUS loans generally require a borrower to pay a prepayment premium if the loan is voluntarily prepaid. For fixed-rate loans, the prepayment premium is usually a yield maintenance premium or a declining percentage of the unpaid principal balance. For adjustable-rate loans, the prepayment premium may be a declining percentage or a fixed percentage of the unpaid principal balance. Other methods for calculating prepayment premiums are also possible. The prospectus supplement will specify whether the loans in your pool have prepayment premiums and, if so, will specify the method for calculating the prepayment premiums. The prospectus supplement will also state whether certificateholders share in any prepayment premiums collected on prepaid loans in the pool and, if so, will describe the method of allocation.

Ongoing Periodic Disclosure

Updated information for most standard DUS loans is made available on a quarterly basis. This information includes but is not limited to quarterly property net operating income; most recent annual net operating income; annual net operating income for the prior two years; quarterly debt service coverage ratio; most recent annual debt service coverage ratio; annual debt service coverage ratio for the prior two years; quarterly physical occupancy; most recent annual physical occupancy; annual physical occupancy for the prior two years; and most recent property inspection rating. Updated information will be available annually for cooperative blanket loans.

Structured Transaction DUS Loans

Under our structured transaction DUS loan product line, a pool of mortgages serves as collateral for loans or advances that may be short-term financings (loans with terms of one year or less) and/or that may be intermediate-term and long-term financings (loans with terms of five to ten or more years) (each, a “structured transaction”).

Financings under any structured transaction, whether short-term or intermediate/long-term, may be funded through MBS, DMBS and Fannie Mae’s purchase of advances into its own portfolio. DMBS are described in and issued under the then-current Multifamily DMBS Prospectus. This discussion relates to financings that are securitized as MBS.

Significant characteristics of structured transactions are described below.

Structure and Advances

The lender and one or more borrowers generally enter into a master credit facility agreement, a bulk delivery agreement or some other form of master agreement pursuant to which the lender is committed to lend funds to the borrower. For credit facilities, the lender makes one or more loans (each, an “advance”) to one or more borrowers, each of which is obligated on all advances. For bulk delivery transactions, the lender makes a separate loan to each borrower. Each loan in a bulk delivery is evidenced by a single mortgage note signed by that individual borrower, regardless of rate, term or other factors.

The loans or advances may have fixed or variable interest rates. Each of these loans or advances generally provides for monthly payments of interest and, in some cases, principal, and a balloon payment of all remaining principal on its maturity date. The loan or advance is placed in a

pool evidenced by certificates, and payments of interest and principal on the advance (if principal is payable under the terms of the loans or advances) are passed through to certificateholders.

Credit Facilities. In credit facilities, advances may be made under a single mortgage note or under multiple mortgage notes, depending on factors such as whether the advances have fixed or variable rates of interest or have different maturity dates. Generally, all advances under a master credit facility agreement are secured by one or more mortgages on one or more multifamily properties specified in the prospectus supplement (i.e., each advance is cross-collateralized and cross-defaulted with any other advance made under the same agreement). Further, the master credit facility agreement may give the borrower the ability to request future advances. Future advances may be secured by the multifamily properties specified in the prospectus supplement for the initial pool, or they may also be secured by additional multifamily properties that are owned by affiliates of the borrower that become borrowers under the master agreement.

A default under one advance will constitute a default under all of the other advances made under the master credit facility agreement, which allows us (but does not require us) to declare due and payable the entire unpaid principal balance under each advance. If we decide to declare one or more advances due and payable, and the entire principal balance of any of the advances is then paid in full, holders of the certificates backed by the prepaid advance will receive an early payment of principal. Payment of prepayment premium may be required; however, no prepayment premium will be payable to certificateholders in this case. See “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Cross-Default and Cross-Collateralization Provisions**” for a further discussion of cross-defaults and cross-collateralization provisions.

Bulk Deliveries. In bulk deliveries, a separate loan is made to each borrower and is secured by a mortgage on the multifamily property or properties owned by that borrower. If there is a master bulk delivery agreement, the current borrowers may be given the ability to accommodate loans to new affiliated borrowers secured by multifamily properties owned by the new affiliated borrowers or to obtain a supplemental loan on a mortgaged property that already secures an existing loan in the bulk delivery. The mortgage loans made under a bulk delivery are usually not cross-defaulted or cross-collateralized.

Because the properties securing bulk deliveries are not cross-collateralized or cross-defaulted, a default under one loan generally will not constitute a default under any other loan made under the bulk delivery agreement, and the multifamily properties securing the other loans would not be available to satisfy the defaulted loan. If a loan is in default and we decide to declare it due and payable, holders of certificates backed by the defaulted loan will receive an early payment of principal. Payment of a prepayment premium may be required; however, no prepayment premium will be due to certificateholders in this case.

Addition, Release and Substitution of Mortgaged Properties

In a credit facility, the master credit facility agreement may give the borrower the right to add new borrowers and to add, release or substitute mortgaged properties as long as the conditions specified in the master credit facility agreement are satisfied. In a bulk delivery, the master bulk delivery agreement may provide for substitution of mortgaged properties on a loan-by-loan basis. The conditions to be satisfied vary among different structured transactions. Examples of these conditions include the following:

- the underwriting of the proposed mortgaged property to be added or substituted must be performed in accordance with our standards;
- for a credit facility, we and the lender must be satisfied that after the addition, release or substitution of a mortgaged property, the debt service coverage ratio will not be less than, and the loan-to-value ratio will not be greater than, the respective ratios set forth in the

related master credit facility agreement with the ratios for additions, releases and substitutions typically determined on an aggregate basis for all debt and properties in the credit facility;

- for a bulk delivery, we and the lender must be satisfied that the substitute mortgage property has a valuation and net operating income equal to or greater than the mortgaged property being released as provided for in the master bulk delivery agreement, if any;
- the borrower must not be in default under the master credit facility agreement or master bulk delivery agreement, as applicable, or the other loan documents; and
- title, survey and all documents necessary to release, add or substitute the mortgaged property must be prepared to the lender's satisfaction.

The applicable note may permit the borrower to make a partial prepayment; if so, the ability to make voluntary partial prepayments will be disclosed in the prospectus supplement.

Assumption and Further Encumbrances

The master agreement may provide that either the entire credit facility or a single advance or loan, as applicable, may be assumed by a new borrower upon the prior consent of the lender. The master agreement may also provide that a borrower under a credit facility or a bulk delivery may encumber a mortgaged property with a subordinate mortgage loan with the consent of the lender. Unless specifically permitted under the loan documents, transfers of ownership interests in the borrower and transfers of ownership interests or changes of control of certain affiliates of the borrower are defaults under the master agreement.

Continued Reporting and Updating of Data

The lender periodically recalculates the occupancy percentage, the loan-to-value ratio, the debt service coverage ratio, the net operating income and the property value for the mortgage loans made under a master agreement. For a credit facility, these ratios typically are calculated and reported on an aggregate basis for all debt and properties in the credit facility; for a bulk delivery, the ratios usually are calculated and reported on a property-by-property basis. The lender will report the recalculated figures to us.

Each time that we issue certificates backed by a credit facility advance, we will issue a schedule of loan information containing detailed information about the advance. The new schedule will provide information about the existence and total value of any additional collateral. Any additional non-real estate collateral may cause the certificates not to qualify as real property for purposes of applicable Internal Revenue Service regulations during certain periods. See **"MATERIAL FEDERAL INCOME TAX CONSEQUENCES."**

Ongoing Periodic Disclosure

Updated information for most credit facility loans is made available on a quarterly basis. The information available generally includes but is not limited to the following:

On an aggregate credit facility basis—current approved loan-to-value ratio; most current trailing 12-month and 3-month debt service coverage ratios; annual debt service coverage ratios for the prior three years; and current quarterly economic occupancy.

On a property-level basis—most recent annual net operating income; annual net operating income for the prior two years; most current trailing 12-month net operating income; most current trailing 3-month recent annual net operating income; most recent annual physical occupancy; annual physical occupancy for the prior two years; most current trailing 12-month annual physical occupancy; most current trailing 3-month annual physical occupancy; and most recent property inspection rating,

Updated quarterly information for bulk delivery loans is generally the same as that provided for standard DUS loans. See “—**Standard DUS Loans—Ongoing Periodic Disclosure.**”

MFflex Loans

Many of the mortgage loans that we acquire and securitize are loans originated by lenders under our MFflex product line (“MFflex”). Most MFflex loans backing MBS are newly originated, although we also purchase and securitize seasoned MFflex loans. Seasoned MFflex loans that we securitize may be newly purchased by us or may be loans that we previously held in our portfolio. We permit only select multifamily lenders to deliver loans to us under our MFflex program. Our current MFflex lenders are identified on our Web site as “small loan lenders.”

MFflex loans are similar to DUS loans in most respects except that they generally have lower initial principal balances. MFflex loans are typically documented on standard Fannie Mae DUS loan forms, but in certain cases we may allow a lender to use other loan forms.

MFflex loans may be first lien or second lien mortgage loans and may be full recourse or non-recourse to the borrower. Most MFflex loans permit voluntary prepayment in full upon the payment of prepayment premiums, though some may permit defeasance. Defeasance loans, subordinate lien loans and the other types of loans discussed under “—**Other Special Feature Mortgage Loans**” also may be originated as MFflex loans and deposited into MFflex pools.

The prospectus supplement will indicate whether a pool contains MFflex loans.

Delivery

When an MFflex lender delivers MFflex loans to us, the lender may sell the delivered loans to us for cash, or the lender may exchange the delivered loans for certificates that evidence an interest in one or more underlying pools that contain the delivered loans. If the MFflex lender decides to exchange the loans for certificates, the lender may retain the certificates or may sell the certificates to a third-party investor. An MFflex lender may sometimes sell certificates to an investor at a premium over their face value. On occasion, we may share with the lender a portion of the premium paid by the investor.

Seasoned MFflex loans may be contained in portfolio pools.

Underwriting and Servicing

We generally delegate to the MFflex lenders the responsibility for underwriting and servicing MFflex loans. MFflex loans generally are underwritten and serviced according to the guidelines set forth in the Multifamily Guide or in the lender’s contract with Fannie Mae, either of which may be modified for certain loans or transactions. As part of our efforts to acquire loans secured by small multifamily properties, we may allow MFflex lenders to deliver lower-balance loans originated using underwriting standards that generally conform to DUS requirements but that are streamlined to reflect the smaller loan sizes. The contract between Fannie Mae and each MFflex lender provides that, as is the case with Standard DUS loans, each MFflex loan when purchased is assigned to one of the four underwriting tiers. The Multifamily Schedule of Loan Information discloses the tier for each MFflex loan in a pool.

Loss Sharing

In return for our delegation of the responsibility for underwriting and servicing MFflex loans, MFflex lenders enter into arrangements with us that specify the method of sharing any losses on the MFflex loans that they deliver and/or service. These arrangements may vary among MFflex lenders and may provide for different loss sharing among various transactions, ranging from an MFflex lender bearing a specified first loss percentage for a transaction to an MFflex lender having no loss sharing obligation for a transaction.

Waivers

As is true for DUS Loans, our underwriting guidelines for MFlex loans are guidelines and not rigid requirements. When a borrower requests the waiver of one or more of the underwriting guidelines with respect to an MFlex mortgage loan, the waiver is granted when the waiver is deemed to be prudent given all the circumstances. Those circumstances may include the creditworthiness of the borrower and its related principals or competitive pressures in a particular market. For example, as discussed in “**DUS Loans—Standard DUS Loans—Waivers**,” the requirement that each borrower be a single asset entity is sometimes waived, and certain requirements for assumptions by new borrowers or transfers of interests in borrowers may be modified.

While both Fannie Mae and the lender must approve certain waivers, the lender in its discretion may approve many waivers without obtaining our approval. When a waiver requires our approval, we may grant or deny the waiver in our discretion.

Future Encumbrance

When permitted under the Multifamily Guide, a borrower under an MFlex loan may obtain supplemental or subordinate loans secured by additional liens on the mortgaged property that is already securing the MFlex loan so long as we determine that the loan complies with our then-current underwriting guidelines. An event of default under a subordinate lien mortgage loan (i) may trigger an event of default under the related MFlex loan and (ii) may entitle the holder of the subordinate mortgage lien to foreclose on and sell the mortgaged property subject to the lien of the MFlex loan. See “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Existing and Future Additional Mortgage Liens**” and “**—Cross-Default and Cross-Collateralization Provisions.**”

Prepayment Premiums

MFlex loans generally require a borrower to pay a prepayment premium if the loan is voluntarily prepaid. The prepayment premiums for MFlex loans generally are the same as DUS loans: for fixed-rate loans, a yield maintenance premium or a premium equal to a declining percentage of the unpaid principal balance; and for adjustable-rate loans, a declining percentage or a fixed percentage of the unpaid principal balance. See “**DUS Loans—Standard DUS Loans—Prepayment Premiums.**” Other methods for calculating prepayment premiums are also possible. The prospectus supplement will specify whether the loans in a pool have prepayment premiums and, if so, will specify the method for calculating the prepayment premiums. The prospectus supplement will also state whether certificateholders share in any prepayment premiums collected on prepaid loans in the pool and, if so, will describe the method of allocation.

Ongoing Periodic Disclosure

Updated quarterly information for MFlex loans is generally the same as that provided for standard DUS loans. See “**DUS Loans—Standard DUS Loans—Ongoing Periodic Disclosure.**” Updated information is made available annually for cooperative blanket loans.

Negotiated Transaction Loans

We also acquire from eligible sellers and securitize mortgage loans originated under our Negotiated Transaction product line (“NT”). Most NT loans are seasoned loans that may have been purchased by us shortly before securitization or may have been held in our portfolio.

An NT pool usually contains a number of unrelated mortgaged loans, which may have been originated at different times by different originators. NT loans may be fixed-rate loans, ARM loans or hybrid loans and may be first lien or second lien loans that may have full recourse or non-recourse to the borrower. NT loans are generally not documented on our standard multifamily loan documents and may have loan terms that differ from those typically found in DUS loans.

Underwriting and Servicing

We negotiate the terms of each NT loan purchase with the seller. The terms of the NT loans purchased in one NT loan sale may differ significantly from the terms of the NT loans purchased in another NT loan sale. Most NT loans are underwritten to comply with the underwriting guidelines of the originator of the loan. Underwriting guidelines vary among originators and may differ significantly from our underwriting guidelines. Before purchasing NT loans underwritten to comply with the originator's underwriting guidelines, we will review those guidelines to ensure that they are acceptable to us. In some cases, the seller of the NT loans was not the originator of the loans. In addition, we generally will review all or a representative sample of the loan origination files for the NT loans that we include in a pool. We will not securitize an NT Loan that is not acceptable to us.

Loss Sharing

Although sellers of NT loans are not subject to DUS loss sharing obligations, sellers delivering NT loans may, depending on the terms of the purchase, share with us in all or part of any losses that result when NT loans become delinquent. From time to time, we may obtain third-party credit enhancement to cover a portion of the losses that we may incur. Moreover, if an NT loan becomes delinquent for any reason during the first 90 days after we have acquired the loan, we may require the seller to purchase the loan from the pool. If an NT loan is purchased from the pool, its stated principal balance will be passed through to certificateholders. No prepayment premium is payable to certificateholders if an NT loan is purchased under these circumstances.

Prepayment Premiums

The prepayment characteristics of NT loans vary widely and, in general, are significantly different from those of DUS loans. A pool may contain NT loans that have identical prepayment characteristics or NT loans with different prepayment characteristics. Some NT loans may prohibit voluntary prepayments until expiration of a lockout period, while others may permit voluntary prepayments at any time. Many NT loans may require payment of a prepayment premium upon a voluntary prepayment and some may also require payment of a prepayment premium upon an involuntary prepayment. Some NT loans may be defeasance mortgage loans. The prospectus supplement will specify the prepayment characteristics of the NT loans in your pool. The prospectus supplements for many pools of NT loans provide that even if a prepayment premium is collected, no portion of the premium will be passed through to certificateholders. We do **not** guarantee to any trust the payment of any prepayment premiums.

Disclosure and Updating of Data

Many NT loans were originated a year or more before we purchased them. Due to the age of these loans, the seller, which may not be the originator of the loans, may be unable to provide all of the original underwriting data that we typically receive on new DUS loans. In this case, the prospectus supplement will indicate that the information is not available. We sometimes require a seller to provide a current debt service coverage ratio, loan-to-value ratio or net operating income for an NT loan. If we do so, this seller-provided current information will be disclosed in the prospectus supplement.

Ongoing Periodic Disclosure

Ongoing disclosure for pools backed by NT loans may differ significantly from that available for pools backed by DUS loans because the NT loan documents may not require the same level of financial performance reporting.

The prospectus supplement will indicate whether a pool contains NT loans.

FANNIE MAE PURCHASE PROGRAM

The multifamily mortgage loans we purchase must meet standards required by the Charter Act. These standards require that the mortgage loans be, in our judgment, of a quality, type and class consistent with the purchase standards imposed by private institutional mortgage investors. Consistent with those requirements, and with the purposes for which we were chartered, we establish eligibility criteria and policies for the mortgage loans we purchase, for the sellers from which we purchase loans, and for the primary servicers that service our loans. See “**FANNIE MAE**” for information regarding the Charter Act and the purpose of the charter.

Multifamily Selling and Servicing Guide

Our eligibility criteria and policies, summarized below, are set forth in our Multifamily Guide and in updates and amendments to the Guide. We amend or replace our Multifamily Guide and our eligibility criteria and policies from time to time. Thus, it is possible that not all of the loans in a particular pool were subject to the same eligibility standards. Moreover, the standards described in a current Multifamily Guide may not be the same as the standards that applied when loans in a particular pool were originated. We also may waive or modify our eligibility and loan underwriting requirements or policies when we purchase mortgage loans.

Multifamily Mortgage Loan Eligibility Standards

Dollar Limitations

The Charter Act does not establish any maximum original principal balance dollar limitations for the conventional multifamily mortgage loans that we purchase. We purchase FHA-insured and USDA-guaranteed mortgage loans up to the maximum original principal amount that FHA will insure or USDA will guarantee for the area in which the property is located.

Underwriting Guidelines

We have established underwriting guidelines for the mortgage loans that we purchase, which are set forth in our Multifamily Guide. These guidelines are designed to provide a comprehensive analysis of the characteristics of a borrower, mortgage loan and mortgaged property, including such factors as the borrower’s credit history, the value of the property, past and current operations of the property, the underwritten loan-to-value ratio, the debt service coverage ratio and the loan amount. DUS lenders are generally permitted to deliver DUS and MFlex loans to us without our prior review so long as the loans are underwritten in accordance with the Multifamily Guide. We require a prior review of loans delivered under our Structured Transactions and Negotiated Transactions product lines.

We review and change our underwriting guidelines from time to time, including expanding our underwriting criteria to make multifamily loans more accessible to borrowers on loans secured by small multifamily properties and to borrowers that provide rental housing to low-and moderate-income families, rural residents and people with special housing needs. From time to time, we may also purchase multifamily loans underwritten to our lenders’ underwriting guidelines, which we have reviewed and approved. See “**THE MULTIFAMILY MORTGAGE LOANS—MFlex Loans**” and “**—Negotiated Transaction Loans.**”

We require lenders that deliver loans to us to take all reasonable steps to verify that the information provided by borrowers is accurate and complete. In addition, while lenders generally have their own guidelines for underwriting loans, we require loans delivered to us to comply with our underwriting guidelines as well. We permit our lenders to decide in their discretion whether certain of our underwriting guidelines may be waived for a specific loan. The waiver of other guidelines may require our consent. Our Multifamily Guide will specify which waivers require our consent at any specific time.

Loan-to-Value Ratios

Our underwritten loan-to-value ratio requirements for loans we purchase may vary depending upon a variety of factors that can include, for example, the type of loan, loan purpose, loan amount, repayment terms and borrower credit history. Depending upon these factors, the loan-to-value ratio of a conventional multifamily mortgage loan does not typically exceed 80% as of the issue date of the certificates. The underwritten loan-to-value ratio of affordable housing loans and other special feature mortgage loans, however, may be higher.

The maximum underwritten loan-to-value ratio for FHA-insured and USDA-guaranteed multifamily mortgage loans we purchase is the maximum established by FHA or USDA for the particular program under which the mortgage was insured or guaranteed. FHA-insured and USDA-guaranteed mortgage loans that we purchase must be originated in accordance with the applicable requirements and underwriting standards of the agency providing the insurance or guaranty. Each insured or guaranteed loan that we purchase must have in effect a valid mortgage insurance certificate or loan guaranty certificate.

Debt Service Coverage Ratio

Our debt service coverage ratio requirements for loans we purchase may vary depending upon a variety of factors that can include, for example, the type of loan, loan purpose, loan amount, amount of the monthly payment of principal and interest, other expenses of the related mortgaged property, current and projected rents, number of dwelling units in the related mortgaged property, and borrower credit history. The required debt service coverage ratio may also vary among our business lines and among individual multifamily loans made under the same business line.

Seller and Servicer Eligibility

Before we approve a company to sell multifamily loans to us (a “seller”) or to act as a primary servicer for us, we require that the company demonstrate the following to our satisfaction:

- it has a proven ability to originate or service, as applicable, the type of multifamily loans for which our approval is being requested;
- it employs a staff with adequate experience in that area;
- it has as one of its principal business purposes the origination or servicing, as applicable, of multifamily loans;
- it is properly licensed, or otherwise authorized, to originate, sell or service, as applicable, multifamily loans in each of the jurisdictions in which it does business;
- its financial condition is acceptable to us;
- it has quality control and management systems to evaluate and monitor the overall quality of its multifamily loan production and servicing activities; and
- it is covered by a fidelity bond and errors and omissions insurance acceptable to us.

We enter into a written mortgage selling and servicing contract with each seller and primary servicer that we approve, under which, among other things, the seller or primary servicer agrees to maintain the foregoing attributes to our satisfaction. DUS lenders must be specially approved and enter into additional agreements with us. **See “THE MULTIFAMILY MORTGAGE LOANS—DUS Loans.”**

Seller Representations and Warranties

The prospectus supplement will identify the seller or sellers of the mortgage loans in a pool. A seller may hold a beneficial interest in certificates backed by a pool holding loans that it delivered to us.

We use a process of delegated underwriting in which lenders make specific representations and warranties to us about the characteristics of the mortgage loans we purchase. As a result, we do not independently verify most of the borrower information that is provided to us. We expect our sellers to check for fraud in the origination process, including fraud by a borrower or by a third party such as a mortgage loan broker or appraiser, and we have the right to require a seller to purchase a loan if fraud is discovered.

In general, the representations and warranties relate to:

- compliance with our eligibility standards and with our underwriting guidelines;
- characteristics of the mortgage loans in each pool;
- compliance with applicable federal and state laws and regulations in the origination of the loans;
- compliance with all applicable laws and regulations related to authority to do business in the jurisdiction where a mortgaged property is located;
- our acquisition of loans free and clear of any liens;
- validity and enforceability of the loan documents; and
- the lien position of the mortgage.

We rely on these representations and warranties at the time of purchase to ensure that loans meet our eligibility standards. However, after we purchase mortgage loans, we perform random quality control reviews of selected loans to monitor compliance with our guidelines, our eligibility standards and certain laws and regulations. Depending upon the applicable contractual provisions, we can require a seller or a primary servicer to purchase a loan if we find a material breach of the seller's representations and warranties. For a discussion of how these purchases can affect the performance of the certificates, see "**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Purchases of Mortgage Loans from Pools/Substitution of Mortgage Loans in Pools—We may require the purchase of some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate of principal payment on your certificates.**"

Servicing Arrangements

We are responsible for supervising and monitoring the servicing of the mortgage loans as master servicer under the trust agreement. We contract with primary servicers to perform servicing functions under our supervision. The primary servicer with which we contract is often the seller that sold us the loans. Any of the duties of the primary servicer also may be performed by the master servicer. A primary servicer may hold a beneficial interest in certificates backed by a pool holding loans that it services for us.

Primary servicers must meet the eligibility standards and performance obligations included in our Multifamily Guide. All primary servicers are obligated to perform diligently all services and duties customary to servicing multifamily mortgage loans. We monitor the primary servicer's performance and have the right to remove any primary servicer at any time that we consider its removal to be in the best interests of the certificateholders. If we remove a primary servicer, we may be required to pay compensation to the primary servicer, depending upon the reason for the removal. We may then enter into a servicing contract with another entity that has been approved as a primary servicer to assume servicing responsibilities for the loans that were being serviced by the former primary servicer. In the alternative, we may assume the role of primary servicer, in which case we would enter into a servicing contract with a subservicer. Fannie Mae may, from time to time, acquire the servicing rights and become the primary servicer for mortgage loans, in which case we may use a subservicer to conduct the servicing functions. In the case of a transfer

to us of the servicing rights of those loans, the disclosure in our ongoing disclosures for a particular pool will identify “Fannie Mae” as the servicer.

Duties performed by a primary servicer may include general loan servicing responsibilities, collecting and remitting payments on mortgage loans, administering mortgage escrow accounts, collecting insurance claims and, if necessary, making servicing advances and foreclosing on defaulted loans. The Multifamily Guide describes in detail the conditions under which primary servicers may be required to make servicing advances on loans or transfer loans to special servicers to foreclose on the loans. In addition, primary servicers are permitted to decide in their discretion whether certain servicing guidelines may be waived for a specific loan. The waiver of other guidelines may require our consent. Our Multifamily Guide will specify the waivers that require our consent at any specific time.

Until primary servicers remit to us the payments on mortgage loans that have been collected from borrowers, they are required to deposit the collections into custodial accounts. See **“THE TRUST DOCUMENTS—Collection and Other Servicing Procedures—Custodial Accounts”** for a more detailed description of custodial accounts and other requirements applicable to collections from borrowers.

Any agreement between a primary servicer and us governing the servicing of the mortgage loans held by a trust is a contract solely between the primary servicer and us. Certificateholders will not be deemed to be parties to any servicing agreement and will have no claims, rights, obligations, duties, or liabilities with respect to the primary servicer. We, in our capacities as guarantor and trustee, are a third-party beneficiary of each of these agreements. This means that we may pursue remedies against primary servicers in our capacities as guarantor and trustee if the master servicer or primary servicer fails to take action after receiving notice of a breach.

We may resign from our duties as master servicer under the trust agreement upon providing 120 days’ advance notice to the trustee and to the guarantor. After that time, the trustee would become master servicer until a successor has assumed our duties as master servicer. Even if our duties as master servicer under the trust agreement terminate, we would remain obligated under our guaranty as guarantor.

In some instances, we may own a mortgage loan secured by a mortgaged property in which we or the lender or primary servicer also owns, directly or indirectly, an equity interest. In these circumstances, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions.

If a mortgage loan becomes delinquent, we may transfer the servicing of the loan from the primary servicer to a special servicer, which is generally a servicer that specializes in the servicing of troubled loans. However, in this case, we will remain the master servicer of the loan.

Servicing Compensation and Payment of Certain Expenses

Unless otherwise stated in the prospectus supplement, each month the primary servicer receives and retains as a servicing fee a portion of the interest collected on the loans that is not required to be paid to certificateholders. The primary servicer also receives and may retain all or a portion of the assumption fees, late payment charges and other similar charges, and may retain a portion of prepayment premiums, to the extent that these fees, charges and premiums are collected from borrowers, as additional servicing compensation unless the prospectus supplement states otherwise. The trust pays all the expenses that it incurs. We are entitled to the investment income from collections on the mortgage loans for services to the trust in our various capacities as master servicer and trustee.

If permitted by the terms of the related servicing contract, a primary servicer of loans with servicing fees greater than the required minimum servicing fees may, at a later date, designate

for securitization and securitize all or part of the servicing fee in excess of the applicable minimum servicing fee, and retain only the minimum servicing fee. If any excess servicing fee is securitized after the issuance of a pool, the securitization will not affect the rate of interest you receive on your certificates. Certificateholders will have no right to any part of excess servicing fees that are securitized or designated for securitization.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

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

- This discussion reflects federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.
- This discussion addresses only certificates acquired by beneficial owners at original issuance and held as capital assets (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- The summary does not address tax consequences of the purchase, ownership or disposition of a certificate by a partnership. If a partnership holds a certificate, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.
- This discussion may be supplemented by a discussion in any applicable prospectus supplement.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

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

For purposes of this discussion, the term mortgage loan, in the case of a participation interest, means the interest in the underlying mortgage loan represented by that participation interest; and in applying a federal income tax rule that depends on the origination date of a mortgage loan or the characteristics of a mortgage loan at its origination, the term mortgage loan means the underlying mortgage loan and not the participation interest.

U.S. Treasury Circular 230 Notice

The tax discussions contained in this prospectus (including the sections entitled “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**” and “**ERISA CONSIDERATIONS**”) and any applicable prospectus supplement were not intended or written to be used, and cannot be used, for the purpose of avoiding United States 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.

Internal Revenue Service Guidance Regarding the Certificates

In Revenue Ruling 84-10, 1984-1 C.B. 155, the Internal Revenue Service set forth certain federal income tax consequences relating to investments in the certificates issued with respect to a pool. Pursuant to Revenue Ruling 84-10, a pool will not be classified as an association taxable as a corporation for federal income tax purposes. Instead, a pool will be classified as a fixed investment trust, and, under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”), each beneficial owner of a certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the mortgage loans included in that particular pool.

Although Revenue Ruling 84-10 does not specifically address participation interests in mortgage loans, other IRS pronouncements clearly indicate that the holdings of Revenue Ruling 84-10 are equally applicable to a certificate backed by a pool consisting (in whole or in part) of participation interests. Revenue Ruling 84-10 also does not contemplate the mandatory purchase of ARM loans from pools pursuant to a borrower’s exercise of an option to convert an ARM loan to a fixed-rate mortgage loan. However, our tax counsel, Dechert LLP, has rendered an opinion to us that the conclusions of Revenue Ruling 84-10 will be applicable to adjustable-rate pools.

Application of Revenue Ruling 84-10

Pursuant to the holdings of Revenue Ruling 84-10, a beneficial owner of a particular issuance of certificates must report on its federal income tax return its pro rata share of the entire income from each mortgage loan in that particular pool, consistent with the beneficial owner’s method of accounting. The items of income from a mortgage loan include interest, original issue discount (discussed below), prepayment premiums, assumption fees and late payment charges, plus any amount paid by us as interest under our guaranty. A beneficial owner can deduct its pro rata share of the expenses of the trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting and subject to the discussion below.

For taxable years beginning after December 31, 2012, certain non-corporate beneficial owners will be subject to an increased rate of tax on some or all of their “net investment income,” which generally will include interest, original issue discount, market discount and certain other items of income realized on a certificate, and any net gain recognized upon a disposition of a certificate. You should consult your tax advisor regarding the applicability of this tax in respect of your certificates.

A beneficial owner must also allocate its basis in a certificate among the mortgage loans included in that pool in proportion to the relative fair market values of those mortgage loans. If the basis allocated to a mortgage loan is less than the principal amount of that mortgage loan, the beneficial owner may have market discount with respect to that mortgage loan, and if the basis exceeds the principal amount, the beneficial owner may have premium with respect to that mortgage loan. Market discount and premium are discussed below.

Prepayment Premiums

A beneficial owner should include in income its distributable share of prepayment premiums for the period in which the distribution is made. You should consult your tax advisor concerning the character of taxable income attributable to prepayment premiums received on the certificates.

Original Issue Discount

Certain mortgage loans may be issued with original issue discount (“OID”) within the meaning of section 1273(a) of the Code. OID generally arises only with respect to ARM loans that provide for an incentive interest rate (sometimes referred to as a teaser rate) or mortgage loans, including ARM loans, that provide for the deferral of interest. If a mortgage loan is issued with OID, a beneficial owner must include the OID in income as it accrues, generally in advance of the

receipt of cash attributable to such income. The descriptions set forth below in “*–Market Discount*” and “*–Premium*” may not be applicable for mortgage loans issued with OID. You should consult your own tax advisor regarding the accrual of market discount and premium on mortgage loans issued with OID.

Market Discount

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

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

Notwithstanding the above rules, market discount on a mortgage loan is considered to be zero if the discount is less than 0.25 percent of the principal balance of the mortgage loan multiplied by the number of complete years from the date the beneficial owner acquires an interest in the mortgage loan to the maturity of the mortgage loan (referred to as the market discount de minimis amount). The IRS has authority to provide regulations to adjust the computation of the market discount de minimis amount in the case of debt instruments, including mortgage loans, that provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that the market discount de minimis amount should be calculated using the remaining weighted average life of a mortgage loan rather than its final maturity. You should consult your own tax advisor regarding the ability to compute the market discount de minimis amount based on the final maturity of a mortgage loan.

Section 1272(a)(6)

Pursuant to regulations recently issued by Treasury, Fannie Mae is required to report OID and market discount in a manner consistent with section 1272(a)(6) of the Code. You should consult your own tax advisor regarding the effect of section 1272(a)(6) on the accrual of OID and market discount.

Premium

A beneficial owner that acquires a mortgage loan for more than its principal amount generally has premium with respect to that mortgage loan in the amount of the excess. In that event, the beneficial owner may elect to treat the premium as amortizable bond premium. This election is available only with respect to an undivided interest in a mortgage loan that was originated after September 27, 1985. If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (fully taxable bonds) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

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

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

Accrual Method Election

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

Expenses of the Trust

A beneficial owner's ability to deduct its share of the fee payable to the primary servicer, the fee payable to us for providing our guaranty and other expenses to administer the pool is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a certificate directly or through an investment in a pass-through entity (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Generally, a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner's other miscellaneous itemized deductions, exceed two percent of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in arriving at adjusted gross income.

In addition, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Sales and Other Dispositions of Certificates

Upon the sale, exchange or other disposition of a certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the certificate. The adjusted basis of a certificate generally will equal the cost of the certificate to the beneficial owner, increased by any amounts of original issue discount and market discount included in the beneficial owner's gross income with respect to the certificate, and reduced by distributions on the certificate previously received by the beneficial owner as principal and by any premium that has reduced the beneficial owner's interest income with respect to the certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents original issue discount or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held the certificate for more than one year. The ability to deduct capital losses is subject to limitations.

The Taxpayer Relief Act of 1997 amended section 1271 of the Code to provide that amounts received by a beneficial owner on retirement of any mortgage loan of a natural person are considered to be amounts received in exchange therefor. The legislation applies to mortgage loans originated after June 8, 1997, and any interest in a mortgage loan acquired after June 8, 1997. The application of section 1271 to a retirement of a mortgage loan that was acquired at a discount is unclear, and you should consult your own tax advisor regarding the application of section 1271 to a certificate in such a case.

Special Tax Attributes

In Revenue Ruling 84-10, the IRS ruled on the status of the certificates under specific sections of the Code. In particular, the IRS ruled as follows:

1. A certificate owned by a domestic building and loan association is considered as representing loans secured by an interest in real property within the meaning of section 7701(a)(19)(C)(v) of the Code, provided the real property underlying each mortgage loan is (or, from the proceeds of the mortgage loans, will become) the type of real property described in that section of the Code.
2. A certificate owned by a real estate investment trust is considered as representing real estate assets within the meaning of section 856(c)(5)(B) of the Code, and the interest income is considered interest on obligations secured by mortgages on real property within the meaning of section 856(c)(3)(B) of the Code.

The special tax attributes discussed above do not apply to a mortgage loan to the extent that its principal amount exceeds the value of the real property securing it. Except as otherwise disclosed in the related prospectus supplement with respect to affordable housing loans and seniors housing loans, we believe that the fair market value of the real property securing each mortgage loan exceeds the principal balance of that mortgage loan as of the issue date of the certificates based upon the lender's representation that each mortgage loan complied with underwriting guidelines with respect to property value and loan-to-value ratio. The principal security for each mortgage loan is a first lien (or, in the case of a subordinate lien mortgage loan, a subordinate lien) on real property. The mortgage loans, however, also may be secured by a security interest in related tangible personal property (e.g., equipment and furniture) and in related intangible personal property such as rents and revenues, insurance proceeds, condemnation awards or

settlements, contract rights, deposits, permits, accounts, licenses, and so forth. If the principal amount of the mortgage loan exceeds the fair market value of the real property securing the mortgage loan, the certificates will retain the special tax attributes discussed above in proportion to the value of the real property remaining as security for the mortgage loan.

Seniors Housing Loans

Based upon the holdings of Revenue Ruling 84-10, a certificate representing an interest in a pool that contains seniors housing loans will be considered as representing loans secured by an interest in educational, health or welfare institutions or facilities within the meaning of section 7701(a)(19)(C)(vii) of the Code, provided the collateral securing each mortgage loan is the type of property described in that section of the Code.

Defeasance Mortgage Loans

With respect to a defeasance mortgage loan, if there is a release of the mortgaged property as discussed in “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Defeasance of Loans,**” that mortgage loan will no longer qualify as a “loan secured by an interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code or a “real estate asset” within the meaning of section 856(c)(3)(B). Thus, upon the release of the mortgaged property securing a defeasance mortgage loan underlying the certificates, the rulings discussed above regarding the application of these Code sections would be limited to the remaining mortgage loans underlying the certificates that are secured by an interest in real property.

Multifamily Mortgage Loan Servicing

The IRS issued guidance on the tax treatment of mortgage loans in cases in which the fee retained by the primary servicer of the mortgage loans exceeds what is established under tax law to be reasonable compensation for the services to be performed. This guidance is directed primarily to servicers and, in most cases, should not have a significant effect on beneficial owners of mortgage loans.

Under the IRS guidance, if a servicing fee on a mortgage loan is determined to exceed reasonable compensation, the payments of the excess servicing fee are treated as a series of stripped coupons and the mortgage loan is treated as a stripped bond within the meaning of section 1286 of the Code. In general, if a mortgage loan is treated as a stripped bond, any discount with respect to that mortgage loan will be treated as original issue discount. Any premium with respect to such a mortgage loan may be treated as amortizable bond premium regardless of the date the mortgage loan was originated, because a stripped bond is treated as originally issued on the date a beneficial owner acquires the stripped bond. See “**—Application of Revenue Ruling 84-10—Premium**” above. In addition, the excess portion of servicing compensation will be excluded from the income of owners and thus will not be subject to the limitations on the deductibility of miscellaneous itemized deductions. See “**—Application of Revenue Ruling 84-10—Expenses of the Trust**” above.

A mortgage loan is effectively not treated as a stripped bond, however, if the mortgage loan meets either the 100 basis point test or the de minimis test. A mortgage loan meets the 100 basis point test if the total amount of servicing compensation on the mortgage loan does not exceed reasonable compensation for servicing by more than 100 basis points. A mortgage loan meets the de minimis test if (i) the discount at which the mortgage loan is acquired is less than 0.25 percent of the remaining principal balance of the mortgage loan multiplied by its weighted average remaining life; or (ii) in the case of wholly self-amortizing mortgage loans, the acquisition discount is less than 1/6 of one percent times the number of whole years to final stated maturity.

The IRS guidance contains a number of ambiguities. For example, it is not clear whether the rules described above are to be applied on an individual loan or an aggregate basis. You should consult your own tax advisor about the IRS guidance and its application to investments in the certificates.

Information Reporting and Backup Withholding

For each distribution, we will post on our Web site information that will allow beneficial owners to determine (i) the portion of such distribution allocable to principal and to interest, (ii) the amount, if any, of OID and market discount and (iii) the administrative expenses allocable to such distribution. In Notice 2008-77, 2008-40 I.R.B. the IRS provided an exception from reporting certain modifications of mortgage loans held by a fixed investment trust if a guaranty arrangement compensates the trust for any shortfalls that would otherwise be experienced as a result of the modification. Based on this IRS guidance, we have determined that modifications of certain non-performing loans under terms specified in the trust agreement are not required to be reported.

Payments of interest and principal, as well as payments of proceeds from the sale of certificates, may be subject to the backup withholding tax under section 3406 of the Code if the recipient of the payment is not an exempt recipient and fails to furnish certain information, including its taxpayer identification number, to us or our agent, or otherwise fails to establish an exemption from such tax. Any amounts deducted and withheld from such a payment would be allowed as a credit against the beneficial owner's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a holder or owner who is required to supply information but who does not do so in the proper manner.

Foreign Investors

Additional rules apply to a beneficial owner that is not a U.S. Person and that is not a partnership (a "Non-U.S. Person"). "U.S. Person" means a citizen or resident of the United States, a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state or the District of Columbia, an estate the income of which is subject to U.S. federal income tax regardless of the source of its income, or a trust if a court within the United States can exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust.

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

- the beneficial owner does not hold the certificate in connection with its conduct of a trade or business in the United States;
- the beneficial owner is not, with respect to the United States, a personal holding company or a corporation that accumulates earnings in order to avoid U.S. federal income tax;
- the beneficial owner is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in section 877(b) of the Code;
- the beneficial owner is not an excluded person (i.e., a 10-percent shareholder of Fannie Mae within the meaning of section 871(h)(3)(B) of the Code or a controlled foreign corporation related to Fannie Mae within the meaning of section 881(c)(3)(C) of the Code);
- the beneficial owner signs a statement under penalties of perjury certifying that it is a Non-U.S. Person and provides its name, address and taxpayer identification number (a "Non-U.S. Beneficial Ownership Statement");
- the last U.S. Person in the chain of payment to the beneficial owner (the withholding agent) receives such Non-U.S. Beneficial Ownership Statement from the beneficial owner or a financial institution holding on behalf of the beneficial owner and does not have actual knowledge that such statement is false; and
- the certificate represents an undivided interest in a pool of mortgage loans all of which were originated after July 18, 1984.

That portion of interest income of a beneficial owner who is a Non-U.S. Person on a certificate that represents an interest in one or more mortgage loans originated before July 19, 1984 will be subject to a U.S. withholding tax at the rate of 30 percent or lower treaty rate, if applicable. Regardless of the date of origination of the mortgage loans, backup withholding will not apply to payments made to a beneficial owner that is a Non-U.S. Person if the beneficial owner or a financial institution holding on behalf of the beneficial owner provides a Non-U.S. Beneficial Ownership Statement to the withholding agent.

A Non-U.S. Beneficial Ownership Statement may be made on an IRS Form W-8BEN or a substantially similar substitute form. The beneficial owner or financial institution holding on behalf of the beneficial owner must inform the withholding agent of any change in the information on the statement within 30 days of such change.

Beneficial owners who are Non-U.S. Persons should be aware of recent legislation and IRS guidance that would impose a 30 percent United States withholding tax on certain payments (which could include payments in respect of a certificate beginning on January 1, 2014 and gross proceeds from the sale or other disposition of a certificate beginning on January 1, 2015) made to a non-U.S. entity that fails to disclose the identity of its direct or indirect “substantial U.S. owners” or to certify that it has no such owners. Various exceptions are provided under the legislation and additional exceptions may be provided in future guidance. You should consult your own tax advisor regarding the potential application and impact of this legislation based on your particular circumstances.

PLAN OF DISTRIBUTION

Certificates backed by mortgage loans delivered to us by a mortgage loan seller are issued to the seller in exchange for the mortgage loans. Certificates backed by portfolio pools holding mortgage loans previously held in our portfolio may be issued to us in our corporate capacity in exchange for those mortgage loans or may be sold to dealers or third party investors through a bidding process. In each case, we are the depositor of the mortgage loans into the trust, the trustee for the trust, and the master servicer of the mortgage loans in the trust. Mortgage loan sellers, dealers and third party investors may retain the certificates or sell them in the secondary mortgage market.

ACCOUNTING CONSIDERATIONS

The accounting treatment that applies to an investor’s purchase and holding of certificates may vary depending upon a number of different factors. Moreover, accounting principles, and how they are interpreted and applied, may change from time to time. Before you purchase the certificates, you should consult your own accountants regarding the proper accounting treatment for the certificates.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities, you may be or may become subject to restrictions on investment in certain certificates of an issuance or to certificates generally, including, without limitation, restrictions that may be imposed retroactively. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, the NCUA, Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the certificates of an issuance. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any certificate. **You should consult your own legal advisors to determine whether and to what extent the certificates of an issuance constitute legal investments or are or may become subject to restrictions on investment and whether and to what extent the certificates of an issuance can be used as collateral for various types of borrowings.**

ERISA CONSIDERATIONS

ERISA and section 4975 of the Code impose requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and on other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and section 4975 of the Code also impose these requirements on some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as plans. Any person who is a fiduciary of a plan also is subject to the requirements imposed by ERISA and section 4975 of the Code. Before a plan invests in any certificate, the plan fiduciary must consider whether the governing instruments for the plan permit the investment, whether the certificates are a prudent and appropriate investment for the plan under its investment policy, and whether such an investment might result in a transaction prohibited under ERISA or section 4975 of the Code for which no exemption is available.

The U.S. Department of Labor issued a regulation covering the acquisition by a plan of a “guaranteed governmental mortgage pool certificate,” defined to include a certificate that is backed by, or evidences an interest in, a specified mortgage loan or participation interest in a mortgage loan and that is guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, trustee and other servicers of the related mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgage loans in the pool. Our counsel, Katten Muchin Rosenman LLP, has advised us that, except as otherwise provided in a prospectus supplement for an issuance of certificates, the certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of certificates by plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA or section 4975 of the Code merely by reason of a plan’s holding of a certificate. However, investors should consult with their own counsel regarding the ERISA eligibility of certificates they may purchase.

LEGAL OPINION

If you purchase certificates, we will send you, upon request, an opinion of our general counsel (or one of our deputy general counsels) as to the validity of the certificates and the related trust documents.

FREQUENTLY USED MULTIFAMILY MBS POOL PREFIXES

Below is a current listing of pool prefixes that we use most frequently. Our prefixes may be modified or supplemented from time to time. For a more complete listing and description of our current pool prefixes, please refer to our Web site at www.fanniemae.com. Unless otherwise stated, the pools contain fixed-rate mortgage loans.

- AM** Conventional, adjustable-rate mortgages.
- H2** Conventional, supplemental lien mortgages; actual/360 interest day basis calculation; maturity dates vary.
- HA** Conventional, adjustable-rate mortgages; actual/360 interest day basis calculation; maturity dates vary.
- HI** Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in 15 years or less.
- HL** Conventional, long-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in greater than 25 years but less than 30 years.
- HN** Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in 10 years or less.
- HR** Conventional, adjustable-rate supplemental lien mortgages; actual/360 interest day basis calculation; maturity dates vary.
- HS** Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in 10 years or less.
- HT** Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in less than 20 years.
- HX** Conventional, short-term, level-payment, balloon mortgages; actual/360 interest day basis calculation; maturing or due in 7 years or less.
- HY** Conventional, balloon mortgages; actual/360 interest day basis calculation; maturing or due in 7 years or more.
- JM** Non-standard mortgages; maturity dates vary. Retired in 2001.
- MA** Government (FHA) long-term, level-payment project mortgages; fully amortizing within 40 years.
- MB** Conventional, adjustable-rate balloon mortgages; maturity dates vary.
- MD** Conventional, non-interest bearing (discounted) balloon mortgages; maturity dates vary between 1 and 12 months.
- MI** Conventional, intermediate-term, level-payment mortgages; maturing or due in 15 years or less.
- ML** Conventional, long-term, level-payment mortgages.
- MN** Conventional, short-term, level-payment mortgages; maturing or due in 10 years or less.
- MS** Conventional, short-term, level-payment mortgages; maturing or due in 7 years or less.
- MT** Conventional, intermediate-term, level-payment mortgages; maturing or due in 20 years or less.
- MX** Conventional, level-payment, balloon mortgages; maturity dates vary.
- MY** Conventional, level-payment, balloon mortgages; maturing or due in 7 years or more.
- QI** Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; principal and interest based on note rate multiplied by 365 and then divided by 360; maturing or due in 15 years or less.

- QN** Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in 10 years or less.
- QT** Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; principal and interest based on note rate multiplied by 365 and then divided by 360; maturing or due in 20 years or less.
- QY** Conventional, level-payment, balloon mortgages; actual/360 interest day basis calculation; principal and interest based on note rate multiplied by 365 and then divided by 360; maturing or due in 7 years or more.

No one is authorized to give information or to make representations in connection with the certificates other than the information and representations contained in or incorporated into this prospectus and the additional disclosure documents. We take no responsibility for any unauthorized information or representation. This prospectus and the additional disclosure documents do not constitute an offer or solicitation with regard to the certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus and the additional disclosure documents at any time, no one implies that the information contained herein or therein is correct after the date hereof or thereof.

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

Additional prospectuses and information regarding outstanding pools are available upon request by calling us at 800-237-8627 or (202) 752-7115 or on our Web site at www.fanniemae.com.

TABLE OF CONTENTS

Information about this Prospectus and Prospectus	
Supplements	2
Incorporation by Reference	3
Summary	4
Risk Factors	12
Fannie Mae	31
Use of Proceeds	33
Description of the Certificates	33
The Trust Documents	38
Yield, Maturity and Prepayment Considerations	50
The Multifamily Mortgage Loan Pools	62
The Multifamily Mortgage Loans	65
Fannie Mae Purchase Program	100
Material Federal Income Tax Consequences	104
Plan of Distribution	111
Accounting Considerations	111
Legal Investment Considerations	111
ERISA Considerations	112
Legal Opinion	112
Exhibit A: Frequently Used Multifamily MBS Pool	
Prefixes	A-1

Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans)

MULTIFAMILY MBS PROSPECTUS



November 1, 2012
