



FannieMae

Guaranteed Multifamily REMIC Pass-Through Certificates

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue and guarantee certain classes of the certificates. Each series of certificates will have its own identification number and will represent ownership interests in some or all of the assets of a trust. The assets of the trust will include one or more of the following:

- residential mortgage loans secured by multifamily properties (*i.e.*, properties with five or more units);
- underlying securities issued and guaranteed by Fannie Mae that represent the ownership of residential mortgage loans secured by multifamily properties; or
- certain other underlying securities not issued or guaranteed by Fannie Mae that represent the ownership of residential mortgage loans secured by multifamily properties.

Each series of certificates will consist of two or more classes having various characteristics. Certain series of certificates also may include one or more subordinate classes that we do not guarantee and that are not offered by this prospectus.

Fannie Mae Guaranty

The prospectus supplement for each series of certificates will describe the extent to which our guaranty will cover the payment of interest and principal on the related certificates. We will not guarantee payment to investors of any prepayment fees or yield maintenance charges.

Neither the certificates nor interest on the certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

REMIC Status

For federal income tax purposes, we will elect to treat each trust as at least one “real estate mortgage investment conduit,” commonly referred to as a REMIC. At least one class of certificates in each series will be the “residual interest” in a REMIC; the others will be the “regular interests.”

Consider carefully the risk factors 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 and are “exempted securities” under the Securities Exchange Act of 1934.

TABLE OF CONTENTS

	<u>Page</u>
Information About Prospectus Supplements	3
Fannie Mae	4
Additional Information About Fannie Mae	4
Summary	6
Risk Factors	11
The Series Trust	17
Fannie Mae Purchase Program	19
Description of the Certificates	21
The Trust Agreement	38
Certain Federal Income Tax Consequences	45
Legal Investment Considerations	62
Legal Opinion	62
ERISA Considerations	63
Plan of Distribution	63
Index of Defined Terms*	64

* Beginning with the section of this prospectus entitled “The Series Trust,” we often use certain capitalized terms that are defined in this prospectus. The Index of Defined Terms tells you the numbers of the pages where we define these capitalized terms.

INFORMATION ABOUT PROSPECTUS SUPPLEMENTS

We will prepare a prospectus supplement for each series of certificates. Only the classes of certificates that we guarantee will be offered by this prospectus and the related prospectus supplement. The disclosure documents for any particular series of certificates are this prospectus and the related prospectus supplement together with any information incorporated in these documents by reference as discussed below under the heading “Additional Information About Fannie Mae.” Because the prospectus supplement will contain specific information about a particular series of certificates, you should rely on the information in the prospectus supplement to the extent it is different from the information in this prospectus.

The prospectus supplement for each series generally will include the following information with respect to the certificates offered by the prospectus supplement and this prospectus:

- the aggregate principal amount and interest rate (or method of calculating the interest rate) of each class of certificates;
- whether any class of certificates is an accrual class;
- a description of the mortgage loans in the related trust or a description of the underlying securities, as applicable, including their interest rates;
- a description of the method for calculating the payments on each class of certificates;
- with respect to mortgage loans in the related trust, a description of the prepayment provisions and any borrower option to “defease” a loan (*i.e.*, substitute other collateral for the mortgaged property);
- whether a class of certificates represents a “regular interest” or a “residual interest” in a REMIC;
- the monthly distribution date for the certificates;
- the final distribution date for each class of certificates;
- a table for each class of certificates showing what percentage of the original principal balance would be outstanding on various dates based on various assumed prepayment rates for the mortgage loans in the related trust and/or for the mortgage loans backing any underlying securities in the related trust; and
- if any certificates will not be maintained on the book-entry system of the U.S. Federal Reserve Banks, a description of the book-entry system on which those certificates will be maintained.

In connection with the initial distribution of a particular series of certificates, you should obtain a copy of this prospectus (if it has not yet been delivered to you) and the related prospectus supplement from the securities dealer offering the classes of certificates of that series that we guarantee. We also make copies of these documents available for informational purposes. Write us at Fannie Mae, 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 or call the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-6547. You can also access our World Wide Web site at <http://www.fanniemae.com>. The prospectus supplement is generally available three to five business days before settlement of the related series of certificates.

FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended, 12 U.S.C. § 1716 *et seq.* (the “Fannie Mae Charter Act”). We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and were transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968. Today, we are the largest investor in residential mortgage loans in the United States.

We provide funds to the mortgage market by purchasing mortgage loans from lenders. In this way, we replenish their funds so they can make additional loans. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. Thus, we are able to expand the total amount of funds available for housing.

We also issue mortgage-backed certificates, receiving guaranty fees for our guaranty of timely payment of principal and interest on the certificates. We issue certificates primarily in exchange for pools of mortgage loans from lenders. By issuing certificates, we can further our statutory mandate to increase the liquidity of residential mortgage loans.

In addition, we offer various services to lenders and others for a fee. These services include issuing certain types of mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

Our principal office is located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (202) 752-7000).

ADDITIONAL INFORMATION ABOUT FANNIE MAE

In addition to this prospectus and any applicable prospectus supplement, you also should read our current Information Statement and its Supplements. These documents contain important financial and other information about Fannie Mae which we are incorporating by reference in this prospectus. This means that we are disclosing important

information to you by referring to these documents, so you should read them together with this prospectus.

We publish our Information Statement annually and update it from time to time generally to reflect quarterly and annual financial results. When we use the term “Information Statement” in this prospectus, we mean our most recent Information Statement as of the issue date for a particular series of certificates, together with any Supplements to that Information Statement. You should always rely on the most current information.

You can read our Information Statement and other information about us at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. We are not subject to the periodic reporting requirements of the Securities Exchange Act of 1934, so we do not file reports or other information with the Securities and Exchange Commission.

You can request free copies of our Information Statement, all the other documents incorporated by reference and additional information about us, without charge, by writing us at Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, or by calling us at 1-800-701-4791. You can also obtain certain of these documents from our World Wide Web site at <http://www.fanniemae.com>.

We may discontinue providing any of the information referenced in this section at any time without notice.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it must speak in general terms without giving details or discussing any exceptions. Before buying certificates of any series, you should have the complete picture. For that, you must read this prospectus in its entirety, the related prospectus supplement and the prospectuses for any underlying securities.

Title of Security	Guaranteed Multifamily REMIC Pass-Through Certificates
Issuer and Guarantor	Fannie Mae, a federally chartered and stockholder-owned corporation. Neither the certificates nor interest on the certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on our guaranty.
The Series Trust Assets	The certificates of each series will be backed by one or more of the following: <ul style="list-style-type: none">• mortgage loans (or participation interests in mortgage loans) that are secured by first or second liens on fee or leasehold interests in multifamily projects;• Fannie Mae Guaranteed Mortgage Pass-Through Certificates (MBS), Fannie Mae Guaranteed Multifamily REMIC Pass-Through Certificates or any other certificates issued and guaranteed by Fannie Mae that represent all or part of the ownership interest in one or more pools of multifamily mortgage loans; or• certificates issued or guaranteed by entities not affiliated with us (including the Government National Mortgage Association or Ginnie Mae) that represent all or part of the ownership interest in other multifamily mortgage loans.
The Certificates	We will issue and guarantee certain classes of certificates of each series. Any subordinate classes forming part of a series will not be offered by this prospectus and will not be guaranteed by us. As trustee, we will maintain each trust under a trust agreement. We have executed the trust agreement, and will execute

	any applicable issue supplement for a particular series, both in our corporate capacity and as trustee.
Denominations	In general, we will issue the certificates only in whole dollar amounts in minimum denominations of \$1,000.
Book-Entry Form	We will issue the certificates (except for “residual” 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.
Interest Payments	Each interest-bearing class of certificates will accrue interest at the annual rate set forth in the related prospectus supplement. In general, we will pay interest on all interest-bearing classes (other than an accrual class) on the monthly distribution date specified in the related prospectus supplement. This payment will equal the amount of interest that has accrued during the related interest accrual period.
Principal Payments	The prospectus supplement for each series will specify how we determine the total principal payment amount for each monthly distribution date and how the total principal payment amount is allocated among the classes of certificates of that series. In general, we will make principal payments on all the certificates of any single class on a <i>pro rata</i> basis.
Final Distribution Date . . .	We will specify in the prospectus supplement for each series the date by which we have to pay the principal balance in full of each class of certificates that we guarantee. Because we cannot predict the prepayment experience of the mortgage loans in the trust, the underlying securities or the mortgage loans backing the underlying securities, we may make the actual final payment on any class of certificates much earlier than the final distribution date specified in the prospectus supplement.
Residual Certificates	On each monthly distribution date, we will pay to the holders of the “residual” certificates of a particular series the amount of principal and interest, if any, specified in the related prospectus supplement. In addition, we will pay the proceeds of any remaining assets of the related REMIC after the principal balances of all the other classes of certificates have been reduced to zero. Each residual certificate will be subject to transfer restrictions.

Fannie Mae Guaranty On each monthly distribution date, we will pay to the holders of each class of certificates that we guarantee the amount of principal and interest described in the related prospectus supplement. In addition, we will pay the holders of each class of certificates that we guarantee the outstanding principal balance of their certificates, if any, no later than the final distribution date for that class, even if less than the required amount is in the related trust account. If we were unable to fulfill our guaranty obligations, certificateholders would receive only the distributions made on the underlying assets of that series. In that event, distributions generally would be limited to borrower payments and other recoveries on the related mortgage loans. As a result, delinquencies and defaults on the related mortgage loans could directly affect the amounts that certificateholders would receive each month.

We will not guarantee payment to investors of any prepayment fees or yield maintenance charges that may be due with respect to the related mortgage loans.

Servicing If the certificates are backed directly by mortgage loans owned by us or by underlying securities issued and guaranteed by Fannie Mae, we may service the mortgage loans directly or contract with lenders or other servicers to perform all or part of the servicing.

If the certificates are backed by underlying securities not issued or guaranteed by Fannie Mae, the pooling and servicing agreement (or similar agreement) relating to those securities will specify the entity that will service the mortgage loans backing the securities.

The Mortgage Loans Each mortgage loan that directly backs the certificates, the underlying securities issued and guaranteed by Fannie Mae or (to the extent specified in the related prospectus supplement) the underlying securities not issued or guaranteed by Fannie Mae generally will meet the guidelines described in this prospectus under the heading “Fannie Mae Purchase Program.” We retain the right, however, to waive compliance with the guidelines. The prospectus supplement for each issue of certificates will provide more detailed information about the mortgage loans that directly or indirectly back the certificates. In general, the mortgage loans that directly or indirectly back

each issue of certificates will consist of one of the following types of multifamily mortgage loans:

- Fixed-rate, monthly pay, level installment loans that may provide for a balloon payment due at maturity; or
- Adjustable-rate, monthly pay loans that may permit deferred interest as a result of “negative amortization” or provide for a balloon payment due at maturity.

Trust Account We will maintain a trust account for each series into which we generally will deposit all distributions on the related mortgage loans or underlying securities. We will make withdrawals from the trust account to pay required principal and interest on the related series of certificates on each monthly distribution date.

Class Factor Unless we specify otherwise in the related prospectus supplement, on or shortly after the 11th calendar day of each month, we will publish the “class factor” for each class of certificates. If you multiply the applicable class factor by the original principal balance of a class, you will obtain the outstanding principal balance of that class (after giving effect to the current month’s principal payment).

Termination In general, each series trust will terminate once we have made all required principal and interest payments to the related certificateholders and retired any related subordinate classes.

Tax Status of the
Certificates For federal income tax purposes, we will elect to treat the assets of each series trust as at least one REMIC. The certificates will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, as “real estate assets” for real estate investment trusts (subject to certain limitations in the case of mortgage loans that have been defeased) and, except for any “residual” certificates, as “qualified mortgages” for other REMICs.

Special tax considerations apply to residual certificates. You should not purchase residual certificates before consulting your tax advisor.

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 to be “securities issued or guaranteed by . . . the Federal National Mortgage Association.” Nevertheless, you should consult your own legal advisors to determine whether and to what extent the certificates of a series constitute legal investments for you.

Marginability; Repurchase

Agreements The certificates offered by this prospectus and the related prospectus supplement are “exempted securities” for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. The margin rules treat transactions in the certificates that we guarantee, including repurchase agreements, in the same manner as transactions in Fannie Mae MBS. However, they do not specify the collateral value of the certificates of any class.

RISK FACTORS

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

Suitability

The certificates are **not** a suitable investment for every investor.

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

Yield Considerations

Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- the level of any interest rate index applicable to the certificates (as specified in the related prospectus supplement);
- how quickly or slowly borrowers prepay the mortgage loans backing the certificates or the related underlying securities;
- if and when the mortgage loans backing the certificates or the related underlying securities are liquidated due to borrower defaults, casualties, condemnations or other factors affecting the properties securing those loans;
- if and when mortgage loans backing the certificates or the related underlying securities are repurchased; and

- the actual characteristics (including principal amortization rates and balloon features) of the mortgage loans backing the certificates or the related underlying securities.

Generally, if you purchase a certificate at a discount and the related underlying mortgage loans are prepaid at a rate slower than you expect, your yield on that certificate will be less than you expect. Similarly, if you purchase a certificate at a premium and the mortgage loans are prepaid at a rate faster than you expect, your yield on that certificate also will be less than you expect.

Even if the average rate at which principal is paid on the mortgage loans backing the certificates or the related underlying securities is consistent with your expectations, variations in the rate over time can significantly affect your yield. Generally, the earlier the payment of principal, the greater the impact on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not offset fully the impact of the earlier rate on your yield.

The timing of changes in the level of any applicable interest rate index also may have a significant effect on your yield, even if the average level is consistent with your expectations. Generally, the earlier the change in the level of the index, the greater the impact on the yield to maturity. As a result, if the level of the index is higher or lower than you expect, a corresponding reduction or increase in the index during a later period may not offset fully the impact of the earlier level on your yield.

You must make your own decision as to the principal prepayment and timing assumptions you will use when deciding whether to purchase the certificates.

Prepayment Considerations

The rate of principal payments on the certificates of a series will depend on the rate of principal payments on the mortgage loans and any underlying securities backing the certificates. The rate of principal payments on underlying securities will in turn depend on the rate of principal payments on the mortgage loans backing the underlying securities. Principal payments on the mortgage loans may occur as a result of scheduled amortization, voluntary borrower prepayments or prepayments as a result of borrower default, casualties, condemnations or other factors affecting the properties securing the loans.

Many mortgage loans provide that the lender can require repayment in full if the borrower sells the property that secures the loan. In this way, property sales by borrowers can affect the rate of prepayment. In addition, borrowers often refinance their loans by obtaining new loans secured by the same properties. Loan refinancing also affects the prepayment rate.

Other mortgage loans may be subject to a prepayment fee or yield maintenance charge. The prospectus supplement for each series of certificates will specify whether the related mortgage loans prohibit or restrict prepayment during certain periods.

In general, prepayment rates may be influenced by, among other factors:

- the level of current interest rates relative to the rates borne by the loans in a particular pool;
- the existence of any prepayment restrictions, prepayment fees, yield maintenance charges or option to defease;
- state law provisions governing the enforceability of prepayment restrictions, prepayment fees or yield maintenance charges;
- borrower sophistication regarding the benefits of refinancing;
- the general availability of multifamily financing and any solicitation by competing lenders; and
- general economic conditions.

Because so many factors will affect the prepayment rate of a pool of mortgage loans, we cannot estimate the prepayment experience of the mortgage loans backing the certificates or the underlying securities of any series.

Multifamily Loan Considerations

Multifamily loans are considered to be riskier than single-family loans for reasons that include those listed below.

- They typically are much larger in amount, thus increasing the risk represented by the default of a single borrower.
- Many multifamily loans require balloon payments at maturity.
- Repayment of the loan usually depends upon successful operation of the multifamily property that secures the loan.
- Changing economic conditions will affect the supply and demand of rental units and the rents that the market will bear.
- Government regulations (such as rent control laws) may adversely affect future income from the property.

In addition, because individual multifamily loans often are large, principal prepayments resulting from defaults, casualties, condemnations or other factors may significantly affect your yield.

Balloon Loans

The mortgage loans directly or indirectly backing the certificates may include balloon loans. A mortgagor's ability to pay the balloon amount due at maturity ordinarily will depend on whether the balloon loan can be refinanced or the related mortgaged property can be sold. The mortgagor's ability either to refinance the balloon loan or to sell the related mortgaged property will in turn depend on a number of factors, including the multifamily residential real estate market, the financial situation and operating history of the property, applicable tax laws, interest rates and general economic conditions.

Extensions of Maturity of Defaulted Mortgage Loans

The prospectus supplement for each series of certificates will specify whether the maturity of any related mortgage loans may be extended. Any such extension might increase the weighted average lives of the certificates.

Repurchases Due to Breach of Representations and Warranties

The institutions that sell us the mortgage loans (backing the certificates directly or backing the underlying securities that we issue and guarantee) make certain representations and warranties covering the loans. If there is a material breach of those representations and warranties, we may choose to repurchase the affected loans. If we do, we will purchase the mortgage loans at a price equal to their principal balance plus accrued interest at the pass-through rate in the case of fixed-rate mortgage loans or at the pool accrual rate in the case of adjustable-rate mortgage loans. Our repurchase of mortgage loans from the related pools will have the same effect on the certificateholders as borrower prepayments.

Repurchases Due to Delinquency

We may repurchase from any pool of mortgage loans (backing the certificates directly or backing the underlying securities that we issue and guarantee) those loans that are delinquent by at least four consecutive monthly payments. If we do, we will purchase the mortgage loans at a price equal to their principal balance plus accrued interest at the pass-through rate in the case of fixed-rate mortgage loans or at the accrual rate in the case of adjustable-rate mortgage loans. Our repurchase of mortgage loans from the related pools will have the same effect on the certificateholders as borrower prepayments.

In addition, certain other parties may have the option to repurchase delinquent loans as described in the applicable prospectus supplement.

Reinvestment Risk

The mortgage loans directly or indirectly backing the certificates may permit prepayment at any time, or they may prohibit prepayment for a number of years or during certain periods, or may require payment of a prepayment fee or yield maintenance charge, as specified in the related prospectus supplement. Certain mortgage loans may also contain an

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

Market and Liquidity Considerations

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

These risks will be greatest in the case of certificates that are especially sensitive to interest rate or market risks, that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. Such certificates are more likely to have a limited market for resale, little or no liquidity, and more price volatility than other similar mortgage-backed securities. Limited liquidity may have a severely adverse effect on the market value of these types of certificates.

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

- the method, frequency and complexity of calculating principal or interest;
- the average age of the mortgage loans backing the certificates or the related underlying securities;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the certificates;
- the availability of comparable securities; and
- the level, direction and volatility of interest rates generally.

The interest rate of an inverse floating rate class of certificates will change in the opposite direction of changes in the specified interest rate index. The prices of such certificates typically are more volatile than those of non-inverse floating rate mortgage-backed securities based on the same index with otherwise comparable terms. Increased volatility occurs because an increase in the index not only decreases the interest rate (and consequently the value) of the certificate but also reflects an increase in prevailing interest rates, which further diminishes the value of such certificate.

The market prices of principal only and interest only classes of certificates fluctuate more in response to changes in interest rates than do the prices of interest-bearing mortgage-backed securities having principal amounts and comparable maturities. Other securities issued at a substantial discount or premium from their principal amount (such as certificates issued with significantly below-market or above-market interest rates) also have higher volatility. Generally, the longer the remaining term to maturity of these types of certificates, the greater their price volatility as compared to interest-bearing mortgage-backed securities having principal amounts and comparable maturities.

You should not purchase certificates unless you understand and are able to tolerate the risk that certain certificates may not be resold easily, that the value of certificates will fluctuate over time, and that these fluctuations may be significant and could result in losses to you. This risk is greatest if your circumstances do not permit you to hold the certificates until maturity.

Exchange Rate Risks

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 may continue in the future. 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. A depreciation in the value of your currency relative to the value of the U.S. dollar would have the opposite effect.

Fannie Mae Guaranty Considerations

If we were unable to perform our guaranty obligations, certificateholders would receive distributions only on the related underlying assets. If that happened, distributions generally would be limited to borrower payments and other recoveries on the mortgage loans backing the certificates or the related underlying securities. As a result, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

THE SERIES TRUST

Ownership interests in the assets of the trust (each, a “Series Trust”) for a series of our Guaranteed Multifamily REMIC Pass-Through Certificates (the “Certificates”) will be evidenced by two or more classes (each, a “Class”) of Certificates. If a Series Trust consists primarily of Mortgage Loans (a “Mortgage Loan Series Trust”) or underlying securities not issued and guaranteed by Fannie Mae, ownership interests in such assets also may be evidenced by one or more related unguaranteed subordinate classes of certificates, as specified in the related prospectus supplement. Each Certificate will evidence a beneficial ownership interest in one or more of the following:

- mortgage loans or participation interests in mortgage loans (the “Mortgage Loans”), secured by first or second liens on fee or leasehold interests in multifamily projects (“Mortgaged Properties”) consisting of five or more dwelling units;
- one or more Fannie Mae Guaranteed Pass-Through Certificates (Multifamily Mortgage Loans) (“MBS”), one or more Fannie Mae Guaranteed Multifamily REMIC Pass-Through Certificates (the “Underlying REMIC Securities”) or one or more other certificates issued and guaranteed by Fannie Mae (together with the MBS and the Underlying REMIC Securities, the “Fannie Mae Underlying Securities”), each representing all or part of the direct or indirect beneficial ownership of one or more pools of Mortgage Loans; or
- certificates issued or guaranteed by entities (including the Government National Mortgage Association or Ginnie Mae) not affiliated with Fannie Mae (the “Non-Fannie Mae Underlying Securities” and, together with Fannie Mae Underlying Securities, the “Underlying Securities”), each representing all or part of the direct or indirect beneficial ownership of one or more pools of Mortgage Loans;

in addition to, in each case, the related proceeds of the above and amounts in the related Trust Account.

We refer to a Series Trust that consists primarily of MBS as an “MBS Series Trust,” of Underlying REMIC Securities as an “Underlying REMIC Securities Series Trust,” of Fannie Mae Underlying Securities as a “Fannie Mae Underlying Securities Series Trust,” or of Non-Fannie Mae Underlying Securities as a “Non-Fannie Mae Underlying Securities Series Trust.”

The Mortgage Loans

The Mortgage Loans included in a Mortgage Loan Series Trust (or backing the Fannie Mae Underlying Securities in a Fannie Mae Underlying Securities Series Trust) will contain one or more of the following types of Mortgage Loans:

- Monthly pay, level installment Mortgage Loans bearing fixed interest rates (“Fixed-Rate Loans”) that may have principal amortization periods longer than their terms to maturity with balloon payments due at maturity (“Balloon Loans”) or other unique features;
- Monthly pay Mortgage Loans bearing adjustable interest rates (“ARM Loans”) that may be Balloon Loans or have deferred interest (as a result of “negative amortization”) or other unique features; or
- Mortgage Loans bearing variable interest rates or other types of Mortgage Loans that will be specified in the related prospectus supplement.

The Mortgage Loans may be either conventional Mortgage Loans (*i.e.*, not insured or guaranteed by any United States government agency) (“Conventional Mortgage Loans”) or Mortgage Loans that are insured by the Federal Housing Administration (“FHA”) under the National Housing Act, as amended, and the United States Housing Act of 1937, as amended (“FHA Mortgage Loans”). The Mortgage Loans that we buy will be sold to us by eligible institutions that meet certain requirements described in this prospectus under the heading “Fannie Mae Purchase Program.” We refer to these eligible institutions as “Lenders.”

We describe the general characteristics of the Mortgage Loans in a Mortgage Loan Series Trust in this prospectus under the heading “Fannie Mae Purchase Program—Eligible Mortgage Loans.” The prospectus supplement for each Mortgage Loan Series Trust will contain certain information about the related Mortgage Loans. We will purchase Mortgage Loans to include in a Mortgage Loan Series Trust under various agreements, including sale and servicing agreements (each, a “Sale and Servicing Agreement”).

Our obligation with respect to Mortgage Loans in a Mortgage Loan Series Trust will be limited to any servicing responsibilities described in the Trust Agreement (defined below) or any applicable Sale and Servicing Agreement. Our obligation with respect to Mortgage Loans directly backing the Fannie Mae Underlying Securities will be limited to the servicing responsibilities described in the related trust indenture for the Fannie Mae Underlying Securities or in any applicable purchase contract.

The MBS

The Fannie Mae MBS Prospectus describes the general characteristics of the MBS that may back the Certificates of an MBS Series Trust. (The MBS Prospectus is available from us at the address given on page 4 of this prospectus.) The general characteristics of the Mortgage Loans backing such MBS are described in this prospectus under the heading

“Fannie Mae Purchase Program—Eligible Mortgage Loans.” The prospectus supplement for each MBS Series Trust will contain certain information about the related MBS and the related Mortgage Loans.

Underlying REMIC Securities

This prospectus describes the general characteristics of the Underlying REMIC Securities that may back the Certificates of an Underlying REMIC Securities Series Trust. The general characteristics of the Mortgage Loans backing the Underlying REMIC Securities are described in this prospectus under the heading “Fannie Mae Purchase Program—Eligible Mortgage Loans.” The prospectus supplement for each Underlying REMIC Securities Series Trust will contain certain information about the related Underlying REMIC Securities and the related Mortgage Loans.

Other Fannie Mae Underlying Securities

The prospectus for Fannie Mae Underlying Securities (other than MBS or REMIC Underlying Securities) that may back a Fannie Mae Underlying Securities Series Trust will describe their general features. The characteristics of the Mortgage Loans backing such Fannie Mae Underlying Securities are described in this prospectus under the heading “Fannie Mae Purchase Program—Eligible Mortgage Loans.” The supplement for each Fannie Mae Underlying Securities Series Trust will contain certain information about such Fannie Mae Underlying Securities and the related Mortgage Loans.

Non-Fannie Mae Underlying Securities

Unless the related prospectus supplement provides otherwise, the general characteristics of the Mortgage Loans backing the Non-Fannie Mae Underlying Securities generally will conform to the description under the heading “Fannie Mae Purchase Program—Eligible Mortgage Loans.” The prospectus supplement for each Non-Fannie Mae Underlying Securities Series Trust will contain certain information about the related Non-Fannie Mae Underlying Securities, the Mortgage Loans backing the Non-Fannie Mae Underlying Securities, and the related pooling and servicing agreements. The prospectus supplement will also contain other information, including information about the entity that formed the related mortgage pool, the issuer of the Non-Fannie Mae Underlying Securities, and the aggregate outstanding balance and interest rate borne by each Non-Fannie Mae Underlying Security.

FANNIE MAE PURCHASE PROGRAM

We summarize below certain aspects of our program for purchasing Mortgage Loans for inclusion in a given pool, whether they back Certificates directly or back the Fannie Mae Underlying Securities. Unless the related prospectus supplement provides otherwise, the following discussion also applies generally to Mortgage Loans that back any Non-Fannie Mae Underlying Securities.

Eligible Lenders

Generally, we purchase Mortgage Loans from the following types of Lenders:

- federally and state-chartered savings and loan associations, mutual savings banks, commercial banks and similar financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Administration (“NCUA”);
- state-insured financial institutions; and
- financial institutions, principally mortgage bankers, investment banks, insurance companies and finance companies that are Fannie Mae-approved mortgage sellers.

We determine whether to approve a particular financial institution as a Lender under our purchase program by applying certain criteria that generally include depth of mortgage origination experience and financial capacity.

We will enter into a standard Fannie Mae Mortgage Selling and Servicing Agreement with each Lender.

Eligible Mortgage Loans

In general, each Mortgage Loan that we include in a pool will comply with the terms of our current Multifamily Negotiated Transactions Guide, Multifamily Delegated Underwriting and Servicing Guide, or the Fannie Mae Aggregation Manual, in each case as amended, supplemented or replaced from time-to-time (each, a “Guide”), and subject to our right to grant variances from the terms of the Guides from time to time.

All Mortgage Loans will be evidenced by promissory notes (“Mortgage Notes”). The Mortgage Notes will be secured by first or (if the prospectus supplement so provides) second mortgages, deeds of trust or similar security instruments creating either first or second liens on the mortgagors’ fee or leasehold interests in the related Mortgaged Properties. We refer to such instruments and any other documents securing a Mortgage Loan, together with the related Mortgage Note, as the “Mortgage.” A pool of Mortgage Loans that directly backs MBS will consist entirely either of Fixed-Rate Loans or ARM Loans. Unless the related prospectus supplement provides otherwise, a pool of ARM Loans will have interest rates that adjust periodically to equal the sum (which may be rounded) of a fixed margin and an index value described in the prospectus supplement. A pool of Mortgage Loans that directly backs Certificates or certain Underlying Securities may consist of both Fixed-Rate Loans and ARM Loans (or other types of Mortgage Loans, as specified in the related prospectus supplement).

Until October 21, 1998, the Fannie Mae Charter Act placed certain limits on the size of the multifamily loans that we were allowed to purchase. These limits were determined by the number of units in the apartment building securing the loan, the number of bedrooms in each unit and whether the apartment building is a “walk up” or has an elevator. To be

eligible for purchase by us, a multifamily loan could not be greater than 125% of the per unit dollar amounts set forth in Section 207(c)(3) of the National Housing Act. However, for buildings located in areas that the U.S. Department of Housing and Urban Department designated as “high cost” areas, the per unit limits were 240% of the Section 207(c)(3) dollar amounts. These per unit limits for “high cost” areas were:

<u>Number of Bedrooms</u>	<u>Non- Elevator Structure</u>	<u>Elevator Structure</u>
0	\$ 73,008	\$ 84,240
1	80,870	94,349
2	96,595	115,690
3	119,059	144,893
4	141,984	163,829

For example, if a multifamily project contains 100 two-bedroom units in an elevator structure within a high cost area, the maximum original mortgage amount that we could purchase was \$11,569,000. (However, certain limited amounts attributable to the nonresidential components of a multifamily project could be deducted from the per unit mortgage amount.)

The amendments to the Fannie Mae Charter Act enacted in October 1998 removed the statutory limits on the size of the multifamily loans that we are allowed to purchase. In general, however, our current intention is to continue to comply with the limits set forth in the two preceding paragraphs.

A mortgage pool may include FHA Mortgage Loans. Those loans are insured under various FHA programs, including the FHA 221 and 223 programs for financing certain multifamily rental properties. FHA Mortgage Loans may not have interest rates or original principal amounts exceeding the applicable FHA limits at the time of origination.

DESCRIPTION OF THE CERTIFICATES

Under the authority contained in Section 304(d) of the Fannie Mae Charter Act, we will issue and guarantee the Certificates of each series and will maintain the related Series Trust under a trust agreement and any issue supplement for that series (together, the “Trust Agreement”). We will execute the Trust Agreement both in our corporate capacity and as trustee.

Each series of Certificates will consist of two or more Classes of Certificates that we guarantee, which, together with any related unguaranteed subordinate classes, will represent the entire beneficial ownership of the Series Trust created by the Trust Agreement. This prospectus contains a general description of the rights of the Classes of Certificates of each series. The prospectus supplement for each series will provide a more detailed description and disclose the particular terms that apply to that series. Each Series Trust will consist of

one or more trust accounts, including all cash and investments therein (collectively, the “Trust Account”), and one or more of the following:

- (i) a pool of Mortgage Loans;
- (ii) Fannie Mae Underlying Securities that in each case represent (directly or indirectly) all or part of the beneficial ownership of one or more pools of Mortgage Loans; or
- (iii) Non-Fannie Mae Underlying Securities that represent (directly or indirectly) all or part of the beneficial ownership of one or more pools of Mortgage Loans.

We summarize below certain features that are common to the Classes of Certificates of each series, unless the related prospectus supplement provides otherwise.

Denominations and Form

We will issue the Certificates of each Class that represent “regular interests” in a REMIC (“Regular Certificates”) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify otherwise in the related prospectus supplement.

The Federal Reserve Bank of New York will act as our fiscal agent for book-entry Certificates. We have a fiscal agency agreement in effect with the Federal Reserve Bank of New York. Under this agreement, the regulations¹ that govern our use of the book-entry system of the Federal Reserve Banks and the pledging and transfer of interests apply to the book-entry Certificates. These regulations may be modified, amended, supplemented, superseded, eliminated or otherwise altered without the consent of any Certificateholder. The Federal Reserve Banks’ operating circulars and letters also apply. Certificates on the book-entry system of the Federal Reserve Banks will have a minimum denomination of \$1,000 with additional increments of one dollar. Each Class will be assigned a CUSIP number and will trade separately under that CUSIP number. Certificates on the book-entry system of the Federal Reserve Banks are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates.

Certificates maintained on the book-entry system of the Federal Reserve Banks can be separately traded and owned. Acting on our behalf, the Federal Reserve Bank of New York will make payments on the Certificates on each monthly distribution date (a “Distribution Date”) by crediting accounts on its records (or on the records of other Federal Reserve Banks). Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may hold Certificates on the book-entry system of the Federal Reserve Banks “of record,” although these entities will not necessarily be the beneficial owners of the Certificates. We refer to holders of record as “Holders” or “Certificateholders.”

Ordinarily, beneficial owners will “hold” Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A

¹ Found at 24 C.F.R. Part 81, Subpart E.

Certificateholder that is not the beneficial owner of a Certificate will establish and maintain accounts for its customers. In the same way, all the other financial intermediaries in the chain to the beneficial owner of that Certificate will be responsible for establishing and maintaining accounts for their customers.

The rights of the beneficial owner of a Certificate on the book-entry system of the Federal Reserve Banks with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through a Certificateholder. Neither we nor the Federal Reserve Banks will have any direct obligation to the beneficial owner of a Certificate who is not also a Certificateholder according to the book-entry records maintained by the Federal Reserve Banks. In recording transfers of a Certificate, the Federal Reserve Banks will act only upon the instructions of a Certificateholder.

We will issue the Certificates of each series that represent the “residual interest” in a REMIC (the “Residual Certificates”) in fully registered, certificated form. When we use the term “Holder” or “Certificateholder” in connection with a Residual Certificate, we mean the registered owner of the Certificate. You may transfer and exchange Residual Certificates at the corporate trust office of our transfer agent. We will furnish more specific instructions in the prospectus supplement for the related series. If you transfer or exchange a Residual Certificate and the government imposes a tax or other charge, we may require that you reimburse us. We will make payments on the Residual Certificates of each series in the way described in the related prospectus supplement.

The MBS

Unless the related prospectus supplement provides otherwise, each MBS will be backed by one or more mortgage pools consisting of either Conventional Mortgage Loans or FHA Mortgage Loans. The MBS Prospectus describes the general characteristics of the MBS. Each prospectus supplement for a series of Certificates backed by MBS will include the following information about the MBS:

- the pass-through rate for MBS backed by Fixed-Rate Loans;
- the pool accrual rate for MBS backed by ARM Loans; and
- the weighted average coupon and weighted average term to maturity of the Mortgage Loans underlying the MBS.

Other Fannie Mae Underlying Securities and Non-Fannie Mae Underlying Securities

Other Fannie Mae Underlying Securities and Non-Fannie Mae Underlying Securities will be backed (directly or indirectly) by one or more pools of Conventional Mortgage Loans, FHA Mortgage Loans, Fixed-Rate Loans, ARM Loans or other types of Mortgage Loans, as described in the related prospectus supplement. The prospectus supplement also will contain

other specific information about the related Fannie Mae Underlying Securities or Non-Fannie Mae Underlying Securities, as applicable.

Class Definitions and Abbreviations

Classes of Certificates fall into different categories. The following chart identifies and generally defines most of the categories. The first column of the chart shows our abbreviation for each category. The cover page of each prospectus supplement will identify the categories of Classes in the related series by using one or more of these abbreviations.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on one or more Accrual or Partial Accrual Classes. It also may receive principal payments from principal paid on the Underlying Securities or other assets of the related Series Trust.
AFC	Available Funds	Receives as principal, in addition to other amounts, the interest paid on the underlying assets of the Series Trust to the extent that the interest exceeds certain required interest distributions on this Class as set forth in the prospectus supplement.
CPT	Component	Consists of two or more segments or “components.” The components of a Component Class may have different principal payment characteristics but together constitute a single Class. Each component of a Component Class may be identified as falling into one or more of the categories in this chart.
NPR	No Payment Residual	A Residual Class designed to receive no payments of principal.
NSJ	Non-Sticky Jump	Has principal payment priorities that change temporarily upon the occurrence of one or more “trigger events.” A Non-Sticky Jump Class “jumps” to its new priority on each Distribution Date when the trigger condition is met. It reverts to its original priority (<i>i.e.</i> , does not “stick” to the new priority) on each Distribution Date when the trigger condition is not met.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest distributions on an Interest Only Class that is not entitled to principal.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PAC	PAC (or Planned Principal)	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a “Planned Balance”). We derive this schedule by assuming two <i>constant</i> prepayment rates for the Mortgage Loans in the Series Trust or backing the related Underlying Securities. These two rates are the endpoints for the “structuring range” of the PAC Classes.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on the Underlying Securities, but is not a Strip Class.
SC	Structured Collateral	Is designed to receive principal payments based on the actual distributions on Underlying Securities in the Series Trust.
SCH	Scheduled	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a “Scheduled Balance”) but is not designated as a PAC or TAC Class. In many cases, we derive the schedule by assuming two <i>constant</i> prepayment rates for the Mortgage Loans in the Series Trust or backing the related Underlying Securities. These two rates are the endpoints for the “structuring range” of the Scheduled Class.
SEG	Segment	Is combined, in whole or in part, with one or more Classes (or portions of Classes) to form a “Segment Group” or an “Aggregate Group” for purposes of allocating certain principal distribution amounts.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule. In most cases, it receives payments of principal continuously from the first Distribution Date for that Class until the Class is retired. A single Class that receives principal payments before or after all other Classes in the same series of Certificates may be identified as a Sequential Pay Class.
SJ	Sticky Jump	Has principal payment priorities that change permanently upon the occurrence of one or more “trigger events.” A Sticky Jump Class “jumps” to its new priority on the first Distribution Date when the trigger condition is met and retains (<i>i.e.</i> , “sticks” to) that priority until the Class is retired.
STP	Strip	Receives a constant proportion, or “strip,” of the principal payments on the Underlying Securities or other assets of the Series Trust.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
SUP	Support (or Companion)	Receives principal payments (or has a notional principal balance that declines) on any Distribution Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes (except that it may also receive principal payments from the accrued and unpaid interest on specified Accrual or Partial Accrual Classes).
TAC	TAC (or Targeted Principal)	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a "Targeted Balance"). In most cases, we derive this schedule by assuming a single <i>constant</i> prepayment rate for the Mortgage Loans in the Series Trust or backing the related Underlying Securities.
XAC	Index Allocation	Has a principal payment allocation that is based on the value of an index.

INTEREST TYPES

AFC	Available Funds	Receives as interest certain interest and/or principal payments on the underlying assets of the related Series Trust. These payments may be insufficient on any Distribution Date to cover fully the accrued and unpaid interest on the Certificates of this Class at its specified interest rate for the related Interest Accrual Period. In this case, the unpaid interest amount may be carried over to subsequent Distribution Dates (and any unpaid interest amount may itself accrue interest) until, as specified in the related prospectus supplement, payments are sufficient to cover all unpaid interest amounts. It is possible that these insufficiencies will remain unpaid and, if so, they will not be covered by our guaranty.
ARB	Ascending Rate	Has an interest rate that increases one or more times on dates determined before we issue the Class.
CPT	Component	Consists of two or more segments or "components." The components of a Component Class may have different interest payment characteristics but together constitute a single Class. Each component of a Component Class may be identified as falling into one or more categories in this chart.
DRB	Descending Rate	Has an interest rate that decreases one or more times on dates determined before we issue the Class.
EXE	Excess	Receives any principal and interest paid on the Underlying Securities or other assets of a Series Trust in excess of the amount of the principal and interest required to be paid on all Classes of Certificates in the series. Excess Classes sometimes have specified principal balances but no specified interest rate.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the Class.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
IDC	Index Differential	Bears a floating interest rate computed in part on the basis of the difference (or other specified relationship) between two designated indices (<i>e.g.</i> , LIBOR, the Ten-Year Treasury Index).
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the Underlying Securities or other assets of the Series Trust but little or no principal. Interest Only Classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only Class. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes.
NPR	No Payment Residual	A Residual Class designed to receive no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
PZ	Partial Accrual	Accretes a portion of its accrued interest. This accreted amount will be added to the principal balance of the Class on each applicable Distribution Date, while the remainder of the accrued interest is distributed currently as interest. Accretion may continue until a specified event has occurred or until the Partial Accrual Class is retired.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period. A Weighted Average Coupon Class may consist of components, some of which have different interest rates.
Z	Accrual	Accretes the amount of accrued interest otherwise distributable on this Class. This accreted amount will be added as principal to the principal balance of the Class on each applicable Distribution Date. Accretion may continue until some specified event has occurred or until the Accrual Class is retired.

OTHER TYPES

LIQ	Liquid Asset	Intended to qualify as “liquid assets” for purposes of the liquidity requirements applicable to certain depository institutions, it has a Final Distribution Date not later than five years from the settlement date specified in the related prospectus supplement.
-----	--------------	--

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
RDM	Redeemable	Certificates that are redeemable directly or indirectly by us as specified in the related prospectus supplement.
RTL	Retail	Designated for sale to retail investors. Retail Classes frequently are sold in small “units” or other increments and issued in book-entry form through the facilities of The Depository Trust Company. Retail Classes may be entitled to receive distributions of principal in accordance with special priorities and allocation procedures.

Interest Payments on the Certificates

If the Certificates of a particular Class are interest-bearing, they will accrue interest for the periods (each, an “Interest Accrual Period”) and at the annual rate specified or described in the related prospectus supplement. The prospectus supplement also will indicate the date on which the Certificates of each interest-bearing Class begin to accrue interest. Generally, interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will continue to accrue until we have paid the outstanding principal amount of the Certificates of the Class in full. Except in the case of an Accrual Class, interest that accrues during an Interest Accrual Period will be paid to Certificateholders on the related Distribution Date specified in the prospectus supplement.

As for Certificates of an Accrual Class, the prospectus supplement will describe how and when the interest that accrues during an Interest Accrual Period will be paid. Any accrued interest that is not to be paid on a Distribution Date will be added to the principal balance of each Certificate of that Class and, having been converted to principal, will itself begin to accrue interest.

Principal Payments on the Certificates

On each Distribution Date for a given series of Certificates, we will pay the Holders of each Class the amount of principal specified in the related prospectus supplement. We will pay the Holders of each Class the outstanding principal balance of each Class in full no later than the Final Distribution Date (defined below) for that Class.

The prospectus supplement for each series will specify how we determine the aggregate principal distribution for each Distribution Date. We will make principal payments on each Class of Certificates of a series on a proportionate basis among all the Certificates of that Class, unless the related prospectus supplement provides otherwise. On each Distribution Date, we will make payments to Certificateholders of record at the close of business on the last day of the immediately preceding month.

The Distribution Date on which we distribute prepayments to Certificateholders depends on whether we receive prepayment information from the servicer of the related Mortgage Loans in sufficient time to allow the class factors published in our Monthly Factor Report in *The Bond Buyer* (or elsewhere) to reflect the prepayment. If timely information is

not available, we will distribute the prepayment on the next month's Distribution Date. The prospectus supplement for each Non-Fannie Mae Underlying Securities Series Trust will describe the distribution of prepayments on Mortgage Loans backing the related Non-Fannie Mae Underlying Securities.

We consider a Mortgage Loan to have been paid in full (for distribution purposes) if, in our judgment or the judgment of any servicer or special servicer that we engage, the full amount recoverable on the Mortgage Loan has been received, whether or not that amount is equal to the Stated Principal Balance (defined below) of the Mortgage Loan.

Fannie Mae's Guaranty

Our guaranty requires that we pay on time to Holders of each Class of Certificates the amounts of principal and interest described in the related prospectus supplement. We also must pay the full outstanding principal amount of the Certificates of each Class no later than the Final Distribution Date for that Class. Our guaranty is effective whether or not sufficient funds are available in the Trust Account for the related series.

If we were unable to perform our guaranty obligations, the Holders of each Class of Certificates of a series would receive only the amounts paid on the underlying assets of the series. Those amounts generally would be limited to borrower payments and other recoveries on the underlying assets of the related Series Trust. If that happened, delinquencies and defaults on the Mortgage Loans or Underlying Securities, as applicable, could directly affect the amounts that Certificateholders would receive each month.

We will not guarantee the collection from any mortgagor, Lender or other servicer of any prepayment fee or yield maintenance charge in connection with the prepayment of a Mortgage Loan. If a Trust Agreement entitles Certificateholders to receive any yield maintenance charge or prepayment fee, the Series Trust will distribute those amounts to Certificateholders only if they actually are collected from the mortgagor and paid to the Trustee.

Neither the Certificates nor interest on the Certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on our guaranty.

Payments on Series Trust Assets; Deposits in the Trust Account

The prospectus supplement for each series will specify the day(s) of each month on which we will make deposits into the Trust Account for that series. Any amounts deposited into the Trust Account on a Distribution Date are generally available for payment to Certificateholders on the same day. Certain amounts that are still in the Trust Account after we have paid the required principal and interest to the Certificateholders may be used to pay administrative expenses of the related Series Trust. Certain remaining amounts will be paid to Holders of Residual Certificates. We will use any reinvestment earnings on these various

deposits to pay expenses of the Series Trust. They will not be included in payments to Certificateholders.

Our deposit obligation will begin in the month in which the initial Distribution Date of the series occurs.

Mortgage Loan Series Trust

The amount we deposit in a Mortgage Loan Series Trust generally will equal:

- the principal due on the Mortgage Loans during the related Due Period, to the extent distributable to Certificateholders (a “Due Period” begins on the second day of the month prior to the month in which the Distribution Date occurs and ends on the first day of the month in which that Distribution Date occurs);
- the Stated Principal Balance² of each Mortgage Loan that was prepaid in full during the calendar month preceding the month in which that Distribution Date occurs (including seriously delinquent Mortgage Loans that we elect to repurchase);
- (i) the Stated Principal Balance of each Mortgage Loan that we elect to repurchase (or the principal component of the purchase price that we pay in connection with any such election) because of defects in loan documentation, breaches of lender warranties or other circumstances set forth below under the heading “—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*” or (ii) the principal component of the purchase price that any other person with a right to repurchase pays in connection with any such election (as described in the related prospectus supplement);
- the amount of any partial prepayment of a Mortgage Loan received during the calendar month preceding the month in which that Distribution Date occurs (subject to our ability to report such amount in our monthly class factors); and
- one month’s interest at the applicable pass-through rate on the principal balance of the Certificates in the case of a pool of Fixed-Rate Loans, or the amount of interest payable on the ARM Loans during the applicable Due Period (net of the servicing fee and our fees, including the Fannie Mae guaranty fee or other expenses payable from that fee), to the extent distributable to Certificateholders.

² Generally, when we refer to the “Stated Principal Balance” of a Mortgage Loan, we mean the principal balance that we use in calculating the outstanding principal balances of the Certificates. Stated Principal Balances may differ from actual principal balances for a number of reasons, including supplemental payments that we may make on delinquent Mortgage Loans under our guaranty, as well as delays in distributing certain Mortgage Loan receipts.

Fannie Mae Underlying Securities Series Trust

On each Distribution Date, we will deposit or credit to the Trust Account an amount equal to the sum of the distributions of principal and interest on the Fannie Mae Underlying Securities in the related Series Trust.

Non-Fannie Mae Underlying Securities Series Trust

The underlying pooling and servicing agreement, the Trust Agreement and prospectus supplement relating to a Non-Fannie Mae Underlying Securities Series Trust will describe the distributions on the Non-Fannie Mae Underlying Securities, our deposit of such distributions (or payments under our guaranty) into the related Trust Account, and our use of those deposits to make distributions on the related Certificates as well as any other payments.

Retention by Fannie Mae of the Trust Account

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

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

We are required to hold all such appropriately credited funds in our general accounts (and all funds in each Trust Account that we have invested) for the related Certificateholders. Nevertheless, if a liquidation, reorganization or similar proceeding involving our assets were to occur, it is not clear what law would be applicable. As a result, neither we nor our counsel can render a legal opinion about the Certificateholders' rights to those funds in the event of a proceeding of this type.

Reports to Certificateholders

Mortgage Loan Series Trust

In general, we will publish in our Monthly Factor Report in *The Bond Buyer* (or elsewhere) the class factor for each Class of Certificates directly backed by Mortgage Loans on or shortly after the 11th calendar day of each month. If you multiply the class factor for a Class of Certificates by the original principal balance (or notional balance) of that Class of Certificates, you will obtain the current principal balance (or notional balance) of that Class of Certificates, after giving effect to the current month's principal payment and after adding the current month's accrued interest to any Accrual Class.

After the end of each calendar year, we will furnish to each person who was a Certificateholder at any time during that year any information required by the Internal Revenue Service.

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

Underlying Securities Series Trust

Unless we specify otherwise in the related prospectus supplement, the reports that we will provide to Holders of Certificates backed by Underlying Securities are identical to those described in the immediately preceding section.

Weighted Average Lives and Final Distribution Dates

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

- first, calculating the amount of principal to be paid to the Holders of that Class on each Distribution Date, based on the prepayment assumptions specified in the related prospectus supplement;
- second, multiplying each of those amounts by the number of years from the Settlement Date for that series (as specified in the prospectus supplement) to the related Distribution Date;
- third, totaling the results; and
- fourth, dividing that total by the aggregate amount of principal payments that were calculated in the first step.

The actual weighted average life of a Class of Certificates will be affected by the rate at which principal payments are in fact made on the underlying Mortgage Loans. Principal payments include scheduled principal payments, voluntary principal prepayments, liquidations due to default, casualty or condemnation, guaranty payments by us or by Ginnie Mae, and repurchases that we or another party make. Each of these types of principal payments on the Mortgage Loans in a Mortgage Loan Series Trust, a Fannie Mae Underlying Securities Series Trust or, to the extent set forth in the related prospectus supplement, a Non-Fannie Mae Underlying Securities Series Trust will be applied to payment of principal of specified Classes of Certificates of the related series.

The “Final Distribution Date” for the Certificates of a particular Class is the date by which we must pay the Holders the full outstanding principal balance of the Certificates of that Class. We determine the Final Distribution Dates for the Classes of a given series based on the payments that we expect to receive on the underlying Mortgage Loans or Fannie Mae Underlying Securities (or, if the related prospectus supplement so specifies, the Non-Fannie Mae Underlying Securities) of that series. We generally do not take our guaranty into account for this purpose.

Each prospectus supplement will include a table showing the projected weighted average life of each Class of Certificates of the related series. The table also will show for each Class of Certificates the percentage of the original principal amount that would be outstanding on specified Distribution Dates. In each case, this table will be based on certain assumptions, including various prepayment assumptions, that we will specify in the prospectus supplement.

It is likely that we will pay the full outstanding principal balance of each Class of Certificates earlier, and perhaps much earlier, than its Final Distribution Date. There are two reasons for this. First, the rate at which we pay principal on the Certificates will be affected by the rate at which borrowers pay principal on the Mortgage Loans. Second, some of the Mortgage Loans will have stated maturities that occur prior to the dates contained in the assumptions and have interest rates that are lower than the rates contained in the assumptions. We cannot predict whether the outstanding principal balance of any Class of Certificates will be paid in full before its Final Distribution Date.

If we or any other party have the right to purchase the underlying Mortgage Loans or Underlying Securities of a series (and thus effectively terminate the related Series Trust), the prospectus supplement for the series will describe the terms and conditions of that right.

Unless a prospectus supplement provides otherwise, we will not have the right to purchase Mortgage Loans backing Non-Fannie Mae Underlying Securities. The related prospectus supplement will summarize the rights of any other party to purchase such Mortgage Loans pursuant to the related underlying pooling and servicing agreement and any rights we may have to purchase any Non-Fannie Mae Underlying Securities. See “The Trust Agreement—Termination.”

Prepayment Models

It is common to measure how mortgage loans prepay relative to a standard prepayment model. The prospectus supplement for each series will indicate which model it uses. “PSA” is a commonly used prepayment model that was developed by The Bond Market Association. It represents an assumed rate at which a pool of new mortgage loans will prepay. When we refer to “100% PSA,” we mean an annual prepayment rate of 0.2% of the then unpaid principal balance of the pool in the first month after the origination of those mortgage loans and an additional 0.2% each month until the 30th month. (For example, the assumed annual prepayment rate would be 0.4% in month 2, 0.6% in month 3 and so on, and would level out at 6% at month 30 for the remaining term.) Beginning in month 30 and for all later months, “100% PSA” means a constant annual prepayment rate of 6%. Multiples of PSA are calculated in the same way. Thus, “150% PSA” means an annual prepayment rate of 0.3% in month 1, 0.6% in month 2, 0.9% in month 3 and 9% in month 30 and afterwards. Similarly, “200% PSA” means an annual prepayment rate of 0.4% in month 1, 0.8% in month 2, 1.2% in month 3 and 12% in month 30 and afterwards.

Another model that is commonly used is the constant prepayment rate model (“CPR”). It represents the annual rate of prepayments relative to the then outstanding principal balance of a pool of new mortgage loans. Thus, “0% CPR” means no prepayments, “15% CPR” means an annual prepayment rate of 15%, and so forth.

These models do not predict the prepayment experience of the Mortgage Loans directly or indirectly backing any series of Certificates or describe the historic performance of any particular pool of mortgage loans.

Servicing Through Lenders

Mortgage Loan Series Trust

The Trust Agreement makes us responsible for servicing and administering the Mortgage Loans in a Mortgage Loan Series Trust, but also gives us discretion to contract with the Lender or another eligible servicing institution to perform those functions under our supervision. If we enter into a servicing contract or arrangement with a Lender or other servicer to service the Mortgage Loans directly, that contract is solely between us and that Lender or other servicer. Neither the Certificateholders nor the holders of any subordinate classes are deemed to be parties to that contract or to have claims, rights, obligations, duties or liabilities with respect to that Lender or other servicer (except if the related Trust Agreement provides otherwise).

The applicable Guide (as amended by any applicable Sale and Servicing Agreement) requires servicers to perform with diligence not only all customary mortgage servicing duties but also the specific obligations described in the Guide. We monitor each servicer’s performance and have the right to remove any servicer for cause if and when we believe that removing the servicer is in the best interest of Certificateholders and the holders of any related subordinate classes. Servicers’ servicing duties include general loan servicing, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, foreclosure, if necessary, and management of any Mortgaged Property that becomes owned by the Series Trust.

Fannie Mae Underlying Securities Series Trust

Unless the prospectus supplement provides otherwise, our servicing responsibilities with respect to Mortgage Loans backing Fannie Mae Underlying Securities are identical to those described in the two preceding paragraphs.

Non-Fannie Mae Underlying Securities Series Trust

The servicing responsibilities of the underlying servicer with respect to Mortgage Loans backing Non-Fannie Mae Underlying Securities will be described in the related underlying pooling and servicing agreement and summarized in the related prospectus supplement.

Collection and Other Servicing Procedures

Mortgage Loan Series Trust

We are responsible for servicing the Mortgage Loans in each Mortgage Loan Series Trust. As indicated above, however, we may service loans through Lenders or other Fannie Mae-approved mortgage servicers. We have full authority to do (or have done by others) anything that we deem necessary or appropriate, in our sole discretion, to carry out our servicing responsibilities. One of those things is to foreclose upon, or otherwise convert, a defaulted Mortgage Loan. Instead of foreclosing, however, we have the option—but not the obligation—to repurchase from a Series Trust any Mortgage Loan that is delinquent, or partially delinquent, for at least four consecutive installments of principal and interest. Unless the prospectus supplement provides otherwise, if we elect to repurchase a delinquent Mortgage Loan, the purchase price will be equal to the Stated Principal Balance of that Mortgage Loan together with accrued interest on the balance at the pass-through rate in the case of a Fixed-Rate Loan or the accrual rate in the case of an ARM Loan. The purchase price will be distributed to Certificateholders in the same manner as full prepayments of Mortgage Loans. See “—Payments on Series Trust Assets; Deposits in the Trust Account—*Mortgage Loan Series Trust*” above. Notwithstanding the foregoing and the following paragraphs, our power, authority and discretion (or that of Lenders or other servicers) to service the Mortgage Loans and make decisions with respect to the Mortgage Loans shall be subject to the limitations on such power, authority and discretion outlined in the related Trust Agreement and described in the related prospectus supplement.

With respect to each Mortgage Loan in a Mortgage Loan Series Trust, the Lender makes certain warranties to us concerning such matters as the recordation of the original Mortgage, the validity of the Mortgage Loan as a first (or, if applicable, second) lien on the Mortgaged Property, and compliance by the Mortgage Loan with applicable state and federal laws. Unless the prospectus supplement provides otherwise, in the event of a material breach of any such warranty or a material defect in the Mortgage Loan documentation, we have the right—but not the obligation—to withdraw such Mortgage Loan from the Mortgage Loan Series Trust at a price equal to its Stated Principal Balance together with interest at the pass-through rate in the case of a Fixed-Rate Loan or the accrual rate in the case of an ARM Loan.

Subject to the following paragraphs and to the extent consistent with our then-current policies regarding mortgage loans held in our own portfolio, we may enforce, or waive the enforcement of, any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan, or take any action or refrain from taking any action in servicing any Mortgage Loan. Unless the related prospectus supplement provides otherwise, we may waive any yield maintenance charge, prepayment fee, assumption fee or late payment charge.

Unless the related prospectus supplement provides otherwise, we will not enforce (or permit any Lender or other servicer to enforce) any “due-on-sale” clause in connection with

the sale or transfer of a Mortgaged Property. Instead, we will allow the prospective transferee to assume the remainder of the Mortgage Loan, as long as we (or the Lender or other servicer) approves the transferee, pursuant to our multifamily underwriting guidelines as described in the applicable Guide. Any such assumption of a Mortgage Loan will be on the original terms of that loan. If the conditions for assuming the Mortgage Loan are not satisfied, we (or the Lender or other servicer) will either accelerate the maturity of the Mortgage Loan under the “due-on-sale” clause or withdraw the Mortgage Loan from the pool. Neither we (nor the Lender or other servicer) will be required to take either action, however, if the enforcement of “due-on-sale” clauses is prohibited by law.

If for any reason we (or a Lender or other servicer) are not obligated to enforce the “due-on-sale” clause contained in any Conventional Mortgage Loan, we may release the original borrower from liability at the time the transferee of the Mortgaged Property assumes the Mortgage Loan.

If we are required to enforce a “due-on-sale” clause upon the borrower’s transfer, or prospective transfer, of the related Mortgaged Property, the Trust Agreement permits us to repurchase the Mortgage Loan at its Stated Principal Balance plus accrued interest at its pass-through rate in the case of a Fixed-Rate Loan or at the accrual rate in the case of an ARM Loan.

Fannie Mae Underlying Securities Series Trust

Unless the related prospectus supplement provides otherwise, the collection and other servicing procedures for Mortgage Loans backing Fannie Mae Underlying Securities are generally similar to those described in “—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*” above.

Non-Fannie Mae Underlying Securities Series Trust

The collection and other servicing procedures for Mortgage Loans backing Non-Fannie Mae Underlying Securities will be described in the related underlying pooling and servicing agreement and summarized in the related prospectus supplement. The related prospectus supplement also will summarize the repurchase obligations of the depositor of the Non-Fannie Mae Underlying Securities (or other person) in the event of a breach of the representations and warranties in the underlying pooling and servicing agreement. In addition, the Trust Agreement and the related prospectus supplement will summarize any collection and servicing procedures with respect to the Non-Fannie Mae Underlying Securities backing that series.

Special Characteristics of Residual Certificates

No Residual Certificate may be transferred to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift,

pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which a Residual Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

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

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates—Sales and Other Distributions of Residual Certificates—Residual Certificates Transferred to or Held by Disqualified Organizations.*” The transferee also must deliver a properly executed Internal Revenue Service Form W-9 with its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds a Residual Certificate, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

No Residual Certificate may be transferred to any person that is not a U.S. Person without our written consent. The term “U.S. Person” means

- a citizen or resident of the United States;
- a corporation, partnership or other entity created under the laws of the United States or any of its political subdivisions;
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or

- a trust if a court within the United States can exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust.

Under regulations issued by the Treasury Department, if a “noneconomic residual interest” is transferred to a U.S. Person, the transfer will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. A Residual Certificate generally would be treated as constituting a noneconomic residual interest. The only exception would be if, at the time of the transfer, two conditions are met. First, the present value of the expected future payments on the Residual Certificate is no less than the product of the present value of the “anticipated excess inclusions” on that Certificate and the highest corporate rate of tax for the year in which the transfer occurs. Second, the transferor reasonably expects that the transferee will receive payments from the applicable Series Trust in an amount sufficient to satisfy the liability for income tax on any “excess inclusions” at or after the time when the liability accrues. The term “anticipated excess inclusions” means excess inclusions that are anticipated to be allocated to each calendar quarter (or portion of a quarter) following the transfer of the Residual Certificate, determined as of the date the Residual Certificate is transferred and based on events that have occurred as of that date and on the prepayment assumptions. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount*” and “—*Taxation of Beneficial Owners of Residual Certificates—Treatment of Excess Inclusions.*”

Under Treasury Department regulations, the phrase “a significant purpose of the transfer is to impede the assessment or collection of tax” means that the transferor of the Residual Certificate had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the Series Trust. A transferor is presumed not to have improper knowledge if two conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. If you plan to transfer a Residual Certificate, you should consult with your tax advisor for further information.

THE TRUST AGREEMENT

We summarize below certain provisions of the Trust Agreement that are not discussed elsewhere in this prospectus. However, you must understand that these summaries are not complete. If there is ever a conflict between the information in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

Transfer of Mortgage Loans

Mortgage Loans

We will identify each Mortgage Loan that forms part of a pool directly backing a series of Certificates in the mortgage loan schedule to the related Trust Agreement. In addition, in our capacity as trustee of the Mortgage Loan Series Trust, we will hold certain documents on behalf of the Certificateholders.

In the case of whole Mortgage Loans, we will hold each original Mortgage Note endorsed in blank and an assignment to us of the Mortgage. We generally record or file the assignment of the Mortgage.

At our option, we may choose to maintain the documents listed in the preceding paragraph with a custodian institution (the Lender or another institution) that is supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. Before the Certificates are issued, we will review the related Mortgage Loan Schedule and afterwards will conduct random spot checks to confirm that the related documents are sufficient.

We have the right to change these document delivery and custody requirements at any time so long as we determine that the change will not materially or adversely affect the Certificateholders' interests. We have set up these procedures to protect Certificateholders' interests in the Mortgage Loans contained in the related pool. Nevertheless, because the law is unclear regarding a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae, no assurance can be made regarding the status of the Certificateholders' interests in the Mortgage Loans if a proceeding of that type should occur.

MBS

Under the applicable MBS trust indenture or other related documents, the procedure for transferring Mortgage Loans to the related MBS trust is identical to the procedure described above under the heading "*—Mortgage Loans.*".

Other Fannie Mae Underlying Securities

The procedure for transferring Mortgage Loans or other underlying securities backing the related Fannie Mae Underlying Securities trust (other than an MBS trust as discussed above) will be set forth in the trust agreement or other related documents for the Fannie Mae Underlying Securities and summarized in the related prospectus supplement.

Non-Fannie Mae Underlying Securities

The procedure for transferring Mortgage Loans or other underlying securities to the related Non-Fannie Mae Underlying Securities trust will be set forth in the underlying pooling and servicing agreement for the Non-Fannie Mae Underlying Securities and summarized in the related prospectus supplement.

Transfer of Underlying Securities to a Series Trust

Fannie Mae Underlying Securities

The Trust Agreement for each Fannie Mae Underlying Securities Series Trust will contain a mortgage security schedule that will identify the Fannie Mae Underlying Securities that are being transferred to that Series Trust. The Fannie Mae Underlying Securities will be registered in our name on the books of the Federal Reserve Bank of New York or other applicable book-entry system. As trustee, we will hold (directly or indirectly) the Fannie Mae Underlying Securities for the Holders of the Certificates of that series.

Non-Fannie Mae Underlying Securities

Unless the related prospectus supplement provides otherwise, the Non-Fannie Mae Underlying Securities will be transferred to us pursuant to an agreement between us and the issuer of the Non-Fannie Mae Underlying Securities. The related Trust Agreement will contain a mortgage security schedule that will identify the Non-Fannie Mae Underlying Securities that are being transferred to that Series Trust. The Non-Fannie Mae Underlying Securities will be registered in our name, either on the books of the applicable book-entry system or otherwise. As trustee, we will hold (directly or indirectly) the Non-Fannie Mae Underlying Securities for the Holders of the Certificates of that series (and, to the extent described in the related prospectus supplement, subject to our reservation, in our corporate capacity, of certain rights of the Non-Fannie Mae Underlying Securities).

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

Mortgage Loan Series Trust

As compensation for our activities and obligations under the Trust Agreement for a Mortgage Loan Series Trust, we will retain the amounts of interest that are not required to be paid to the Holders of the Classes of Certificates and holders of any related subordinate classes. Unless the related prospectus supplement provides otherwise, we also are generally entitled to retain all or a portion of yield maintenance charges, prepayment fees, assumption fees, late payment fees and other fees to the extent they are collected from borrowers. We will compensate Lenders or other servicers in an amount up to, but not exceeding, the amount of retained interest described above, less a prescribed minimum amount that we will retain in consideration of our guaranty obligations and other responsibilities.

In addition, unless the prospectus supplement provides otherwise, we may retain any amounts by which the proceeds of the liquidation of a Mortgage Loan exceed (1) the Stated Principal Balance of that Mortgage Loan and (2) interest on such balance at the applicable pass-through rate (in the case of Fixed-Rate Loans) or at the applicable accrual rate (in the case of ARM Loans). We will pay all the expenses we incur in connection with our servicing activities, including (but not limited to) fees to Lenders or other servicers. However, unless the prospectus supplement provides otherwise, we are entitled to reimbursement for such expenses from the related trust fund.

MBS Series Trust

The servicing compensation payable to us in connection with our activities and obligations under an MBS trust indenture generally is similar to that for a Mortgage Loan Series Trust.

Other Fannie Mae Underlying Securities Series Trust

The related trust agreement will describe the servicing compensation payable to us in connection with our activities and obligations in connection with the Fannie Mae Underlying Securities (other than MBS), as well as the use of certain proceeds of the Mortgage Loans backing the Fannie Mae Underlying Securities to pay such compensation and other expenses of the related trust fund. The related prospectus supplement will summarize the applicable servicing provisions.

Non-Fannie Mae Underlying Securities Series Trust

The related underlying pooling and servicing agreement will describe the servicing compensation payable to the underlying servicer, as well as the use of certain proceeds of the Mortgage Loans backing the related Non-Fannie Mae Underlying Securities to pay such compensation and other expenses. The related prospectus supplement will summarize the applicable servicing provisions.

Certain Fannie Mae Matters

We may not resign from our duties under the Trust Agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties under the Trust Agreement. In no event, however, would any successor take over our guaranty obligations. Even if our other duties under the Trust Agreement should terminate, we would still be obligated under our guaranty.

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

The Trust Agreement also provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the Trust Agreement. On the other hand, we may decide to participate in legal actions if we think our participation would be in the interests of the Certificateholders. In this case, we generally will pay our legal expenses and costs.

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

Voting Under Trust Documents for Any Fannie Mae Underlying Securities

Each issue of Fannie Mae Underlying Securities will be issued pursuant to a trust indenture or a trust agreement. Each trust indenture or trust agreement may be supplemented by an issue supplement prepared when the related issue is created. An issue supplement will set forth the specific terms of the related issue of Fannie Mae Underlying Securities not specified in the applicable trust indenture or trust agreement. It will also specify whether a particular issue varies in any way from the basic trust indenture or trust agreement.

Unless the prospectus supplement provides otherwise, the holders of a certain minimum percentage ownership in the related Fannie Mae Underlying Securities will have the right to terminate certain of our duties under the related trust indenture or trust agreement, if there is an event of default under the trust indenture or trust agreement. Under the Trust Agreement for a Fannie Mae Underlying Securities Series Trust, if there is an event of default with respect to the Fannie Mae Underlying Securities, the Certificateholders may vote their respective ownership shares in the Fannie Mae Underlying Securities.

Unless the prospectus supplement provides otherwise, the holders of a certain minimum percentage ownership in the related Fannie Mae Underlying Securities may give their consent to an amendment or waiver of the related trust indenture or trust agreement. The Trust Agreement, however, does not permit us, as trustee, to vote any Fannie Mae Underlying Securities held in a Fannie Mae Underlying Securities Series Trust in favor of an amendment or waiver unless we have been directed to do so by Holders of Certificates whose principal balances (or notional principal balances) together equal at least 66% of the aggregate balances of all the Certificates of that series.

Voting Under Any Underlying Pooling and Servicing Agreement for Non-Fannie Mae Underlying Securities

The prospectus supplement for certain series of Certificates backed by Non-Fannie Mae Underlying Securities will specify:

- whether the holders of the Non-Fannie Mae Underlying Securities have the right to vote under the underlying pooling and servicing agreement pursuant to which the related Non-Fannie Mae Underlying Securities were issued; and
- whether, and in what percentages, such holders are required to consent to certain amendments or other decisions relating to the underlying pooling and servicing agreement.

The prospectus supplement for certain series also will state whether the Trust Agreement permits either us or the Holders of Certificates to vote the Non-Fannie Mae Underlying Securities or to take any other action under any underlying pooling and servicing agreement. If Certificateholders are entitled to such vote, the related prospectus supplement will specify the percentage of Holders whose vote is required.

Events of Default

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

- if we fail to pay Certificateholders of a Class any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of that Class (or, if no Certificates other than Residual Certificates are outstanding, holders of any related unguaranteed subordinate classes who own at least 5% of any such subordinate class) have given us written notice;
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after Certificateholders owning at least 25% of any Class (or, if no Certificates other than Residual Certificates are outstanding, holders of any related unguaranteed subordinate classes who own at least 25% of any such subordinate class) have given us written notice; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Rights upon Event of Default

If one of the Events of Default under the Trust Agreement for a particular series has occurred and continues uncorrected, Certificateholders who own at least 25% of any Class (or, if no Certificates other than Residual Certificates are outstanding, holders of related unguaranteed subordinate classes who own at least 25% of any such subordinate class) have the right to terminate, in writing, all of our obligations under that Trust Agreement. These obligations include our duties as trustee as well as in our corporate capacity. However, the Fannie Mae guaranty will continue in effect. The same proportion of Certificateholders (or holders of related unguaranteed subordinate classes) also may appoint, in writing, a successor to assume all of our terminated obligations. This successor will take legal title to the Mortgage Loans (in the case of a Mortgage Loan Series Trust), the Underlying Securities and the other assets of the related Series Trust.

Amendment

We may amend the Trust Agreement for any Series Trust, without notifying or obtaining the consent of either the Certificateholders or the holders of any related subordinate classes, for any of the following purposes:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement as trustee or in our corporate capacity or both;

- to eliminate any of our rights in our corporate capacity under the Trust Agreement;
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected; and
- to modify the Trust Agreement to maintain the legal status of each Series Trust as a REMIC.

If Certificateholders who own at least 66% of each Class give their consent (or, if no Certificates other than Residual Certificates are outstanding, if the holders of any related unguaranteed subordinate classes who own at least 66% of each such subordinate class give their consent), we may amend the Trust Agreement to eliminate, change or add to its terms or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Holders of each Class of Certificates or holders of related unguaranteed subordinate classes who must consent to the types of amendments listed in the previous sentence. In addition, unless the affected Certificateholders (and the holders of any related unguaranteed subordinate class) consent, no amendment may reduce or delay the funds that we must pay on any Class of Certificate or any related unguaranteed subordinate class. Similarly, unless all affected Holders of the Residual Certificates give their consent, no amendment may adversely affect their rights.

The prospectus supplement for each series will specify whether the holders of any related unguaranteed subordinate classes in the related Mortgage Loan Series Trust or Underlying Securities Series Trust have any voting rights with respect to amending the Trust Agreement and/or any related Sale and Servicing Agreement or underlying pooling and servicing agreement or other related agreement.

Termination

Each Series Trust will terminate when we have paid the Holders of each Class of Certificates all required interest and principal amounts (and when we have paid all required interest and principal amounts on (or otherwise retired) any related unguaranteed subordinate classes). If we or any other party have the right to purchase the related Mortgage Loans or Underlying Securities (and thus effectively terminate the related Series Trust), the prospectus supplement for the series will describe the terms and conditions of that right.

Unless a prospectus supplement provides otherwise, we will not have the right to purchase Mortgage Loans backing the Non-Fannie Mae Underlying Securities. The related prospectus supplement will summarize:

- the rights of any other party to purchase the Mortgage Loans pursuant to any applicable underlying pooling and servicing agreement; and
- our right (if any) to purchase any Non-Fannie Mae Underlying Securities in a Series Trust.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

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

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

- REMIC Election and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of Residual Certificates
- Taxes on a REMIC

- Reporting and Other Administrative Matters
- Backup Withholding
- Foreign Investors

REMIC Election and Special Tax Attributes

We will elect to treat the assets comprising each Series Trust as at least one REMIC (each, a “REMIC Trust”) under the Internal Revenue Code of 1986, as amended (the “Code”). Qualification as a REMIC requires ongoing compliance with certain conditions. For each series of Certificates, our special tax counsel, Arnold & Porter, will deliver its opinion that (unless otherwise limited in the applicable prospectus supplement), assuming compliance with the Trust Agreement, each REMIC Trust will be treated as a REMIC for federal income tax purposes. Each Class of Certificates for a REMIC Trust will be designated as a “regular interest” in the REMIC constituted by that REMIC Trust, except that a separate Class will be designated as the “residual interest” in the REMIC constituted by that REMIC Trust. The prospectus supplement for each series of Certificates will state whether Certificates of each Class will constitute Regular Certificates or Residual Certificates.

Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95 percent of the assets of a REMIC consist of “qualified mortgages,” then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the REMIC that are “qualified mortgages.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, a REMIC should be treated as owning the Mortgage Loans backing the Certificates issued with respect to that REMIC. In general, a Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of a REMIC will include, in addition to the Mortgage Loans (or the Underlying Securities representing beneficial ownership of the Mortgage Loans), payments on the Mortgage Loans (or the Underlying Securities) held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

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

“permitted assets” within the meaning of section 860L(c)(1) of the Code with respect to financial asset securitization investment trusts.

Taxation of Beneficial Owners of Regular Certificates

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

Treatment of Original Issue Discount

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

Definition of Original Issue Discount

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

Notwithstanding the general definition, OID on a Class of Regular Certificates will be treated as zero if the discount is less than 0.25 percent of the stated redemption price at maturity of the Class multiplied by its weighted average life. The weighted average life of a Class of Regular Certificates is apparently computed for this purpose as the sum, for all

distributions included in the stated redemption price at maturity of the Class, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans prepay at the rate specified in the applicable prospectus supplement (the “Prepayment Assumption”) by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the stated redemption price at maturity of the Class. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Class of Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Daily Portions of Original Issue Discount

For a Class of Regular Certificates considered to be issued with OID, the daily portions of OID will be determined as follows. A calculation first will be made of the portion of the OID that accrued during each “accrual period.” The OID accruing during any accrual period then will be allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the “OID Regulations”) provide that for purposes of measuring the accrual of OID on a debt instrument, a holder of the debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. Unless otherwise disclosed in the applicable prospectus supplement, we will report OID based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

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

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

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

- the yield to maturity of the Regular Certificates, calculated as of the Settlement Date, giving effect to the Prepayment Assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period,

- the Prepayment Assumption, and
- in the case of Floating Rate or Inverse Floating Rate Class Certificates, an assumption that the value of the index upon which the variable rate is based remains the same as its value on the Settlement Date over the entire life of the Certificates.

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

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury Department regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. We anticipate that the Prepayment Assumption for each series of Regular Certificates will be consistent with this standard. We make no representation, however, that the Mortgage Loans for a given series will prepay at the rate reflected in the Prepayment Assumption for that series or at any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates.

Subsequent Holders' Treatment of Original Issue Discount

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

Interest and Original Issue Discount on Floating Rate, Inverse Floating Rate, and Weighted Average Coupon Classes

The OID Regulations define and provide special rules applicable to variable rate debt instruments ("VRDIs"). To be a VRDI, a Regular Certificate generally must satisfy three requirements. First, the issue price (including accrued interest) must not exceed the total noncontingent principal payments by more than (i) 1.5 percent of the product of the total noncontingent principal payments and the weighted average life, or (ii) 15 percent of the total noncontingent principal payments, whichever is smaller. Second, the Regular Certificate must bear interest at a "qualified floating rate" or an "objective rate," or certain

combinations of such rates and possibly a fixed rate. Third, under the terms of the Regular Certificate, the qualified floating rate or objective rate must be based on a current value of the applicable interest index. An interest index (such as LIBOR, COFI, Treasury or the Prime Rate) and an interest index plus or minus a fixed rate generally are qualified floating rates. A floating or inverse floating rate equal to a positive or negative multiple of an interest index plus or minus a fixed rate is an objective rate and may be a qualified floating rate.

The interest rates of most Floating Rate and Inverse Floating Rate Classes will be either qualified floating rates or objective rates, and most Floating Rate and Inverse Floating Rate Classes will qualify as VRDIs. The interest rates of Weighted Average Coupon Classes may not be qualified floating rates or objective rates, and thus it is not clear whether a Weighted Average Coupon Class will qualify as a VRDI.

Under the OID Regulations, a debt instrument that provides for a variable rate of interest but that does not qualify as a VRDI is a contingent payment debt instrument. The regulations governing contingent payment debt instruments do not apply, however, to Regular Certificates. Therefore, in the absence of further guidance and unless otherwise stated in the applicable prospectus supplement, we intend, with respect to each Floating Rate, Inverse Floating Rate and Weighted Average Coupon Class, (i) to compute accruals of interest and OID by applying the principles of the OID Regulations applicable to VRDIs and (ii) to treat all interest payments as not included in the stated redemption price of the Class, provided the Class is not a Notional or an Accrual Class.

Regular Certificates Purchased at a Premium

If a Regular Owner purchases a Certificate for an amount (net of accrued interest) greater than its remaining stated redemption price at maturity, the owner will have premium with respect to the Certificate (a “Premium Certificate”) in the amount of the excess. Such a purchaser need not include in income any remaining OID and may elect, under section 171(c)(2) of the Code, to treat the premium as “amortizable bond premium.”

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

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the

principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Some Regular Certificates may provide for only nominal distributions of principal in comparison to distributions of interest. It is possible that the IRS or the Treasury Department may issue guidance excluding such Certificates from the rules generally applicable to debt instruments issued at a premium. In particular, it is possible that such a REMIC interest will be treated as having OID equal to the excess of the total payments to be received thereon over its issue price. Unless and until the Treasury Department or the IRS publishes specific guidance relating to the tax treatment of such Certificates, we intend to furnish tax information to Holders of such Certificates in accordance with the rules described in the preceding paragraph.

Regular Certificates Purchased with Market Discount

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Certificate) has market discount with respect to the Certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount. First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the Certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a Certificate as ordinary income under the circumstances discussed below under “—Sales and Other Dispositions of Regular Certificates.” Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a Regular Owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a Regular Owner makes this election, the Regular Owner must also apply the election to all debt instruments the Regular Owner acquires on or after the beginning of the first taxable year to which the election applies. A Regular Owner may revoke the election only with the consent of the IRS.

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

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25 percent of the remaining stated redemption price at maturity of the Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

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

Prepayment Fees and Yield Maintenance Charges

According to regulations issued by the Treasury Department, a REMIC may allocate among and pay to its regular interest holders any customary prepayment fees that the REMIC receives with respect to its qualified mortgages. No authority addresses the tax consequences to Regular Owners upon the accrual or payment of these amounts. In the absence of applicable authority and unless otherwise stated in the applicable prospectus supplement, we will report any payment of a prepayment fee or yield maintenance charge as a payment of additional interest on the related Certificate (or as additional OID, if the related Certificate is a Notional or Accrual Class Certificate).

Sales and Other Dispositions of Regular Certificates

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

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

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

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of a Series Trust by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the REMIC (or the last Mortgage Loan that backs the last Underlying Security remaining in the REMIC).

Taxation of Beneficial Owners of Residual Certificates

Daily Portions

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

Owner may have received full payment of any stated interest and principal on its Residual Certificate.

Taxable Income or Net Loss of a REMIC

The taxable income or net loss of a REMIC will be the income from the “qualified mortgages” it holds and any reinvestment earnings less deductions allowed to the REMIC. In general, a Mortgage Loan or an Underlying Security representing beneficial ownership of a Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code or if the Underlying Security is a regular interest in another REMIC.

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

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

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

The Trust Agreement may permit the modification, waiver, or amendment of the terms of a Mortgage Loan, subject to limitations described in the applicable prospectus supplement. Under Treasury Department regulations, certain modifications of a debt instrument are deemed to result in an exchange of the original debt instrument for a modified debt instrument that is materially different. The holder of such a modified debt instrument must recognize gain or loss on the deemed exchange. Thus, if the terms of a Mortgage Loan are modified, waived or amended, the REMIC may be required to compute taxable income by taking into account the gain or loss on a deemed exchange of that Mortgage Loan.

For purposes of determining the taxable income or net loss of a REMIC, OID will be calculated by taking into account the following. First, if all the regular interests of a REMIC are issued to another REMIC, the regular interests will be treated as a single debt instrument because they were issued to a single holder in a single transaction. Second, if a REMIC holds a Regular Certificate as a qualified mortgage (an "Underlying Certificate"), the REMIC will elect to include in gross income all interest that accrues on the Underlying Certificate by using a constant yield method. See "*—Taxation of Beneficial Owners of Regular Certificates—Special Election*" above. Third, if a REMIC holds an Underlying Certificate, the accruals of OID on the Underlying Certificate will be determined using the same Prepayment Assumption used to calculate the accruals of OID on the related regular interests in the REMIC as specified in the applicable prospectus supplement. The IRS, however, could take the position that the proper Prepayment Assumption to be used is the Prepayment Assumption originally established for the Underlying Certificate.

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

Basis Rules and Distributions

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

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

Treatment of Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the "daily accruals" for each day during the quarter that the Residual Certificate was held by the Residual Owner. (The determination of daily accruals is discussed below.) The Treasury Department has the authority to issue regulations that would treat all taxable income of a REMIC as excess inclusions if the Residual Certificate does not have "significant value." The Treasury Department has not yet exercised this authority, but may do so in the future.

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

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

Determination of Daily Accruals

The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the “adjusted issue price” of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the “Federal long-term rate” in effect on the Settlement Date, based on quarterly compounding and properly adjusted for the length of the quarter. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years computed and published monthly by the IRS. For each series of Certificates, if the Federal long-term rate based on a quarterly compounding that will be in effect on the Settlement Date is available as of the date of the related prospectus supplement, 120 percent of that rate will be set forth in the prospectus supplement.

The adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to the Residual Certificate before the beginning of the quarter. The issue price of a Residual Certificate generally is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of a REMIC, including the servicing and guaranty fees imposed at the level of the Mortgage Loans. See, for example, “Description of the Certificates—Servicing Through Lenders” and “The Trust Agreement—Servicing Compensation and Payment of Expenses by Fannie Mae” above. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner’s other miscellaneous itemized deductions exceed 2 percent of the Residual Owner’s adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner’s alternative minimum tax liability. A Residual Owner’s share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the owners in proportion to their respective

holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Sales and Other Dispositions of Residual Certificates

Upon the sale, exchange or other disposition of a Residual 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 Residual Certificate is determined as described above under “—Basis Rules and Distributions.” Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a capital asset.

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

Residual Certificates Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee or other middleman as the transferee’s agent, payable by that agent) upon any transfer of a Residual Certificate to a “disqualified organization.” A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” is defined above under “Description of the Certificates—Special Characteristics of Residual Certificates.” A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of this tax liability if (i) the transferee furnishes to the transferor (or the transferee’s agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee’s agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate and nominee and certain cooperatives) that owns a Residual Certificate if the

pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

Other Transfers of Residual Certificates

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

Amounts Paid to a Transferee of a Residual Certificate

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

Termination

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

- a REMIC terminates by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the REMIC (or the last Mortgage Loan that backs the last Underlying Security remaining in the REMIC) and
- the Residual Owner’s adjusted basis in its Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

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

Taxes on a REMIC

A REMIC will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that a REMIC will engage in any transactions that will give rise to a tax on the REMIC. In any event, pursuant to our guaranty obligations, we will make distributions on the Certificates without offset or deduction for any tax imposed on the related REMIC.

Prohibited Transactions

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

Contributions to a REMIC after the Startup Day

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

Net Income from Foreclosure Property

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

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the Residual Owners will be treated as partners. We will prepare, sign and file federal income tax returns for each REMIC, which returns are subject to audit by the IRS. Unless otherwise specified in the prospectus supplement, we do not intend to

register any REMIC as a tax shelter pursuant to section 6111 of the Code. We will also act as the tax matters partner for each REMIC, either as an owner of a Residual Certificate or as a fiduciary for the Residual Owner. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

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

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

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code at a rate of 31 percent if recipients of the distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against the recipient’s federal income tax. Certain penalties may be imposed by the IRS on a recipient of distributions required to supply information who does not do so in the proper manner.

Foreign Investors

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that the Regular Owner is a Non-U.S. Person, and provides the name and address of the Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives the statement from the Regular Owner or a financial institution holding on its behalf and does not have actual

knowledge that the statement is false. You should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

Residual Certificates

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

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain Certificates of a series. 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 Office of Thrift Supervision, the NCUA, the Treasury Department 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 a series. 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 advisor to determine whether and to what extent the Certificates of a series constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates of a series can be used as collateral for various types of borrowings.**

LEGAL OPINION

If you purchase Certificates of a series, 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 Agreement.

ERISA CONSIDERATIONS

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

On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Brown & Wood LLP, has advised us that, unless the applicable prospectus supplement provides otherwise, each Class of Certificates will 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 Mortgage Loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

PLAN OF DISTRIBUTION

Pursuant to a Fannie Mae commitment, we will deliver the Certificates of a series to one or more securities dealers (each, a “Dealer”) in exchange for the assets specified in the related prospectus supplement, unless the prospectus supplement provides otherwise. Each Dealer will offer the Certificates as specified in the prospectus supplement. Each Dealer may, in turn, offer the Certificates to or through other dealers. The Dealers engage in transactions with us and perform services for us in the ordinary course of their business. We, the Dealers or other parties may receive compensation, trading gain or other benefits in connection with these transactions. We typically receive a fee from the Dealer or Dealers for each offering. We reserve the right to acquire Certificates for our own account at the time they are issued or subsequently in the secondary market and may retain or dispose of any Certificates that we acquire.

INDEX OF DEFINED TERMS

Accretion Directed	24	MBS	17
Accrual	27	MBS Series Trust	17
Aggregate Group	25	Mortgage	20
ARM Loans	18	Mortgage Loan Series Trust	17
Ascending Rate	26	Mortgage Loans	17
Available Funds	24,26	Mortgage Notes	20
Balloon Loans	17	Mortgaged Properties	17
Certificateholders	22	NCUA	20
Certificates	17	Non-Fannie Mae Underlying	
Class	17	Securities	17
Code	46	Non-Fannie Mae Underlying	
Component	24,26	Securities Series Trust	17
Conventional Mortgage Loans	18	Non-Sticky Jump	24
CPR	34	Non-U.S. Person	59
Dealer	63	No Payment Residual	24,27
Descending Rate	26	Notional	24
Distribution Date	22	OID	47
Due Period	30	OID Regulations	48
ERISA	63	PAC (or Planned Principal)	25
Event of Default	43	Partial Accrual	27
Excess	26	Pass-Through	25
Fannie Mae Charter Act	4	Planned Balance	25
Fannie Mae Underlying Securities ..	17	Plans	63
Fannie Mae Underlying Securities		Premium Certificate	50
Series Trust	17	Prepayment Assumption	48
FDIC	20	Principal Only	27
FHA	18	PSA	33
FHA Mortgage Loans	18	Redeemable	28
Final Distribution Date	32	Regular Certificates	22
Fixed Rate	26	Regular Owner	47
Fixed-Rate Loans	18	Regulations	55
Floating Rate	27	REMIC Trust	46
Guide	20	Residual Certificates	23
Holders	22	Residual Owner	53
Index Allocation	26	Retail	28
Index Differential	27	Sale and Servicing Agreement	18
Information Statement	5	Scheduled	25
Interest Accrual Period	28	Scheduled Balance	25
Interest Only	27	Segment	25
Inverse Floating Rate	27	Segment Group	25
IRS	47	Sequential Pay	25
Lenders	18	Series Trust	17
Liquid Asset	27	Settlement Date	47

Stated Principal Balance	30	U.S. Person	37
Sticky Jump	25	Underlying Certificate	55
Strip	25	Underlying REMIC Securities	17
Structured Collateral	25	Underlying REMIC Securities Series	
Support (or Companion)	26	Trust	17
TAC (or Targeted Principal)	26	Underlying Securities	17
Targeted Balance	26	VRDIs	49
Trust Account	22	Weighted Average Coupon	27
Trust Agreement	21		

No one is authorized to give information or to make representations in connection with this offering other than those contained in this prospectus, any prospectus supplement and any other disclosure document referred to in a prospectus supplement. You must not rely on any unauthorized information or representation. This prospectus, any prospectus supplement and any other disclosure document referred to in a prospectus supplement do not constitute an offer or solicitation with regard to any securities other than the certificates or 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.

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



FannieMae

**Guaranteed Multifamily REMIC
Pass-Through Certificates**

TABLE OF CONTENTS

	<u>Page</u>
Information About Prospectus	
Supplements	3
Fannie Mae	4
Additional Information About Fannie Mae	4
Summary	6
Risk Factors	11
The Series Trust	17
Fannie Mae Purchase Program	19
Description of the Certificates	21
The Trust Agreement	38
Certain Federal Income Tax	
Consequences	45
Legal Investment Considerations	62
Legal Opinion	62
ERISA Considerations	63
Plan of Distribution	63
Index of Defined Terms	64

PROSPECTUS