Multifamily MBS Prospectus

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

The Certificates

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

Fannie Mae Guaranty

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

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

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

The date of this Prospectus is October 1, 2010.

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INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each issuance of certificates. We will post this prospectus and the related prospectus supplement for each issuance of certificates on our Web site identified below. In addition, we will deliver these documents either electronically to parties who request them in accordance with our procedures or in paper form to parties who so request. The disclosure documents for any particular issuance of certificates are this prospectus and the prospectus supplement, together with any information incorporated into these documents by reference as discussed under the heading **"INCORPORATION BY REFERENCE."** We also provide updated information for certain mortgage loan pools and display corrections of information provided for all mortgage loan pools through our Multifamily Securities Locator Service application and at other locations on our Web site. **In determining whether to purchase any issuance of certificates in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement and any information that we have otherwise incorporated into these documents by reference. You should not solicit lenders, primary servicers or others for additional and/or more current information about the loans in your pool. We take no responsibility for any unauthorized information or representation.**

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

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

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

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

INCORPORATION BY REFERENCE

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

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

We incorporate by reference the following documents that we have filed, or may file, with the Securities and Exchange Commission ("SEC"):

- our annual report on Form 10-K for the fiscal year ended December 31, 2009 (the "2009 Form 10-K");
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the 2009 Form 10-K until the date of this prospectus, including our quarterly reports on Form 10-Q and our current reports on Form 8-K, excluding any information that we "furnish" to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before completion of the offering of the related certificates, excluding any information that we "furnish" to the SEC on Form 8-K.

We make available free of charge through our Web site our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Our Web site address is www.fanniemae.com. Materials that we file with the SEC are also available from the SEC's Web site, www.sec.gov. In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

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

SUMMARY

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

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

Issuer and Guarantor . . . . Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938 under the name "Federal National Mortgage Association" to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae has been under conservatorship since September 6, 2008. As conservator, the Federal Housing Finance Agency succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. For additional information on conservatorship, see **"RISK FACTORS—Fannie Mae Governance Factors."**

Our regulators include the Federal Housing Finance Agency, the U.S. Department of Housing and Urban Development, the SEC, and the U.S. Department of the Treasury. The Office of Federal Housing Enterprise Oversight, the predecessor of the Federal Housing Finance Agency, was our safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008 on July 30, 2008.

On September 8, 2008, we entered into a senior preferred stock purchase agreement with the U.S. Department of the Treasury pursuant to which we issued to it one million shares of senior preferred stock and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. **Nevertheless, we alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

Description of Certificates . . . . Each certificate will represent a pro rata undivided beneficial ownership interest in a pool of one or more multifamily mortgage loans or a pool of one or more participation interests in multifamily mortgage loans. We will issue the certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.

Minimum Denomination . . . . We will issue the certificates in minimum denominations of $1,000 with additional increments of $1.

Issue Date	The first day of the month in which the certificates of a specific issuance are issued.
Distribution Date	Unless otherwise stated in the related prospectus supplement, the 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payment will be made on the next business day. The first distribution date for an issuance of certificates will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day after April 25th (unless a different date is specified in the related prospectus supplement).
Settlement Date	No later than the last business day of the month in which the issue date occurs.
Maturity Date	The date specified in the related prospectus supplement for each issuance of certificates.
Interest	On each distribution date, we will pass through interest to certificateholders as follows: • For fixed-rate pools, interest at the fixed pass-through rate specified in the related prospectus supplement. • For adjustable-rate pools with no mortgage loans permitting negative amortization, interest calculated at a variable pass-through rate (referred to as the pool accrual rate). The initial pool accrual rate is specified in the related prospectus supplement. • For adjustable-rate pools with mortgage loans permitting negative amortization, interest at the pool accrual rate minus the aggregate amount of any deferred interest added to the principal balance of the mortgage loans during the related due period (as defined below). The related prospectus supplement will state whether a pool contains adjustable-rate mortgage loans permitting negative amortization. The amount of interest to be passed through to certificateholders does <u>not</u> reflect any loss mitigation measure or other loan modification. The method used to calculate interest for a specific issuance of certificates will be specified in the related prospectus supplement.
Principal	We receive collections on the mortgage loans on a monthly basis. The period we use to differentiate between collections in one month and collections in another month is called the "due period". The due period is the period from and including the second calendar day of the preceding month to and including the first calendar day of the month in which the distribution date occurs.

On each distribution date, we will pass through to certificateholders:

- the aggregate amount of the borrowers' scheduled principal payments for the related due period; and
- the aggregate amount of all unscheduled principal payments received during the period specified below:
  - — the stated principal balance of each mortgage loan that was prepaid in full during the calendar month immediately preceding the month in which that distribution date occurs;
  - — the stated principal balance of each mortgage loan that was purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs; and
  - — the amount of any partial prepayments of a mortgage loan received during the calendar month immediately preceding the month in which that distribution date occurs.

The amount of principal to be passed through to certificateholders reflects any change that was made to the amortization schedule resulting from a prepayment, which will cause a reduction in the amount of principal and interest passed through to the certificateholders each month. The amount of principal to be passed through to certificateholders does <u>not</u> reflect any loss mitigation measure or other loan modification.

We may treat a prepayment received on the first business day of a month as if it was received on the last business day of the preceding month. We pass through these prepayments on the distribution date in the month of actual receipt. For example, if a prepayment in full is actually received on the first business day of February, it would be treated as if it had been received on the last business day of January and, therefore, would be passed through on February 25th (or the next business day, if February 25th is not a business day).

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

Defeasance	A multifamily mortgage loan may prohibit voluntary prepayments of principal during all or a substantial portion of its term but permit the borrower to defease the loan. If the loan is defeased, the lien on the mortgaged property will be released. Although the loan will remain outstanding, it will no longer qualify as a "loan secured by an interest in real property." See **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Defeasance.*"**
Monthly Pool Factors	On or about the fourth business day of each month, we will publish the monthly pool factor for each issuance of certificates. If you multiply the monthly pool factor by the original principal balance of the certificates, you will obtain the current principal balance of the certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. The most current pool factor is generally available through our Multifamily Securities Locator Service application found on our Web site.
Business Day	Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account.
Guaranty	We guarantee to each MBS trust that on each distribution date we will supplement amounts received by that MBS trust as required to permit payments on the certificates in an amount equal to: • the aggregate amounts of scheduled and unscheduled principal payments described in "—Principal" above; and • an amount equal to one month's interest on the certificates, as described in "—Interest" above. In addition, we guarantee to each MBS trust that we will supplement amounts received by the MBS trust as required to make the full and final payment of the unpaid principal balance of the related certificates on the distribution date in the month of the maturity date specified in the prospectus supplement. Our guaranty runs directly to each MBS trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Certificateholders have certain limited rights to bring proceedings against the U.S. Department of the Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Fannie Mae and the U.S. Department of the Treasury, see **"DESCRIPTION OF THE CERTIFICATES—Trust**

	Agreement—*Certificateholder Rights Upon a Guarantor Event of Default*.”
Master Servicing/Servicing	We are responsible as master servicer for certain duties. We generally contract with mortgage lenders to perform servicing functions for us, subject to our supervision. We refer to these servicers as our primary servicers. For a description of our duties as master servicer and the responsibilities of our primary servicers, see **“DESCRIPTION OF THE CERTIFICATES—Trust Agreement—*Collection and Other Servicing Procedures.”***
Trust Agreement	Each issuance of certificates is issued in accordance with the provisions of the 2010 Multifamily Master Trust Agreement effective as of October 1, 2010, as supplemented by an issue supplement. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement and the related issue supplement for a complete description of your rights and obligations as well as those of Fannie Mae in its various capacities. The trust agreement may be found on our Web site.
Trustee	We serve as the trustee for each MBS trust pursuant to the terms of the trust agreement and the related issue supplement.
Paying Agent	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the certificates.
Fiscal Agent	An entity designated by us to perform certain administrative functions for our MBS trusts. The Federal Reserve Bank of New York currently serves as our fiscal agent for the certificates.
Multifamily Mortgage Pools and Loans	Each mortgage pool will contain the multifamily mortgage loans (or participation interests in multifamily mortgage loans) described in the related prospectus supplement, which may include the following: • Fixed-rate loans with balloon payments at maturity; • Loans that are fixed rate loans for their initial term and then permit a borrower to extend the term of the loan at another fixed rate or at an adjustable rate throughout the extended term, with balloon payments at maturity; • Loans that are adjustable-rate loans for a portion of their terms and then permit a borrower to convert the loan to a fixed-rate loan for the remainder of their terms, with balloon payments at maturity; • Adjustable-rate loans that do not permit deferral of interest, with balloon payments at maturity; • Fixed-rate loans or adjustable-rate loans with monthly payments of interest only during a specified initial

period, followed by monthly payments of principal and interest for the remaining loan term, with balloon payments at maturity;

- Fixed-rate loans or adjustable-rate loans with monthly payments of interest only during their entire term, with balloon payments at maturity;
- Fixed-rate loans or adjustable-rate loans that fully amortize over their terms; and
- Adjustable-rate loans that permit deferral of interest (which is added to the outstanding principal balance of the mortgage loans) as a result of negative amortization, with balloon payments at maturity.

Mortgage Collateral . . . . Unless a loan is later defeased, each multifamily mortgage loan will be secured by a first or subordinate lien on a residential property that contains five or more dwelling units and that is one or more of the types listed below.

- Apartment buildings and communities (which may include small multifamily properties);
- Rural housing;
- Seniors housing;
- Cooperative housing projects;
- Manufactured housing communities;
- Student housing/dedicated student housing; and
- Military housing.

Many multifamily properties are also considered to be affordable housing. We require each multifamily mortgage loan to meet our published standards for loans that we purchase, subject to our right to waive or change those standards from time to time.

Termination . . . . The trust for an issuance of certificates will terminate when the certificate balance of the related pool has been reduced to zero, and all distributions have been passed through to certificateholders. We do ***not*** have any option to cause an early termination of the trust.

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

Legal Investment Considerations . . Under the Secondary Mortgage Market Enhancement Act of 1984, the certificates offered by this prospectus and the

related prospectus supplement will be considered "securities issued or guaranteed by . . . the Federal National Mortgage Association." Nevertheless, you should consult your own legal advisor to determine whether and to what extent the certificates of an issuance constitute legal investments for you.

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

RISK FACTORS

We have listed below some of the principal risks associated with an investment in the certificates. We may identify additional risks associated with a specific offering of certificates in the related prospectus supplement. In addition, our 2009 Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus, discuss certain risks, including risks relating to Fannie Mae, that may affect your investment in the certificates and the value of the certificates. You should review all of these risk factors before investing in the certificates. Because each investor has different investment needs and different risk tolerances, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

Investment Factors:

The certificates may not be a suitable investment for you.

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

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

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

Fannie Mae Governance Factors:

The future of our company following termination of the conservatorship and the timing of the conservatorship's end are uncertain.

We do not know when or how the conservatorship will be terminated or what changes to our business structure will be made during or following the termination of the conservatorship. We do not know whether we will continue to exist in the same or a similar form after the conservatorship is terminated or whether the conservatorship will end in receivership or in some other manner.

Since June 2009, Congressional committees and subcommittees have held hearings to discuss the current condition and future status of the government sponsored entities (the "GSEs"). On August 17, 2010, the Obama Administration hosted a conference on the future of housing finance, during which various proposals regarding the future of the GSEs were discussed. In addition, under the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Wall Street Reform Act"), by January 31, 2011, the U.S. Department of the Treasury ("Treasury") is required to prepare and submit a report to Congress with recommendations for ending the conservatorship of Fannie Mae and Freddie Mac.

A number of legislative proposals have been introduced that would substantially change our business structure and the operation of our business. We cannot predict the prospects for the enactment, timing or content of legislative proposals regarding the future status of the GSEs. As a result, there continues to be uncertainty regarding the future of Fannie Mae, including whether we

will continue to exist in our current form after the conservatorship is terminated. The options for reform of the GSEs include options that would result in a substantial change to our business structure or in our liquidation or dissolution.

Fannie Mae Business Factors:

We expect the Federal Housing Finance Agency ("FHFA") to request additional funds from Treasury on our behalf to ensure we maintain a positive net worth and avoid mandatory receivership. The dividends and commitment fees that we must pay or that accrue on Treasury's investments are substantial and are expected to increase; we are likely to be unable to fund them through net income.

FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations (a "net worth deficit") or that we have not been paying our debts, in either case, for a period of 60 days. We have had a net worth deficit as of the end of each of the seven previous fiscal quarters through and including June 30, 2010. Treasury provided us with funds under the senior preferred stock purchase agreement to cure the net worth deficits in prior periods before the end of the 60-day period, and in August 2010 the Acting Director of FHFA requested $2.2 billion in funds to cure our net worth deficit as of June 30, 2010. Once we have received those funds, the aggregate liquidation preference on the senior preferred stock will be $86.8 billion, which will require an annualized dividend of $8.7 billion. The prospective $8.7 billion annual dividend obligation exceeds our reported annual net income for each of the last eight years, in most cases by a significant margin. If we have a negative net worth as of the end of future fiscal quarters, we expect that FHFA will request additional funds from Treasury under the senior preferred stock purchase agreement. The receipt of these additional funds from Treasury will increase the liquidation preference of and the dividends we owe on the senior preferred stock. As a result, we are likely to need additional funds from Treasury to meet our dividend obligation.

In addition, beginning in 2011, the senior preferred stock purchase agreement requires that we pay a quarterly commitment fee to Treasury, unless Treasury waives this fee. The quarterly commitment fee amounts have not yet been determined. Moreover, the aggregate liquidation preference and dividend obligations will increase by the amount of any required dividend we fail to pay in cash and by the amount of any required quarterly commitment fee that we fail to pay. The substantial dividend obligations and potentially substantial quarterly commitment fees, coupled with our effective inability to pay down draws under the senior preferred stock purchase agreement, will continue to strain our financial resources and have an adverse impact on our results of operations, financial condition, liquidity and net worth, both in the short and long term.

FHFA is authorized or required to place us into receivership under specified conditions, which would result in the liquidation of our assets. Amounts recovered from the liquidation may be insufficient to cover our obligations, including our guaranty obligations to certificateholders.

FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations or that we have not been paying our debts, in either case, for a period of 60 days. In view of our current circumstances, we will continue to need funding from Treasury to avoid triggering a mandatory receivership. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons, including conditions that FHFA has already asserted existed at the time we were placed into conservatorship. These conditions include a substantial dissipation of assets or earnings due to unsafe or unsound practices; the existence of an unsafe or unsound condition to transact business; an inability to meet our obligations in the ordinary course of business; a weakening of our condition due to unsafe or unsound practices or conditions; critical undercapitalization; the likelihood of losses that will deplete substantially all of our capital; or by consent. A receivership would terminate the conservatorship. Unlike a conservatorship, the purpose of which is to conserve our assets and return us to a sound and solvent condition,

the purpose of a receivership would be to liquidate our assets and resolve claims against us. In addition to the powers FHFA has as conservator, the appointment of FHFA as our receiver would permit FHFA to exercise certain powers that could adversely affect holders of the certificates ("certificateholders").

Repudiation of Contracts: In its capacity as receiver, FHFA could repudiate any contract entered into by Fannie Mae prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae's affairs. The Regulatory Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver.

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

Moreover, if our guaranty obligations were repudiated, payments of principal and/or interest to certificateholders would be reduced as a result of borrowers' late payments or failure to pay or a primary servicer's failure to remit borrower payments to the trust. In that case, trust administration fees would be paid from mortgage loan payments prior to distributions to certificateholders. Any damages paid as the result of the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

Transfer of Guaranty Obligation: In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of Fannie Mae without any approval, assignment or consent from us or any other party. If FHFA, as receiver, were to transfer our guaranty obligations to another party, certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

Rights of Certificateholders: During a receivership, certain rights of certificateholders under the trust documents may not be enforceable against FHFA, or enforcement of such rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a receiver, certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of certificateholders consents. The Federal Housing Finance Regulatory Reform Act of 2008 (the "Regulatory Reform Act") may prevent certificateholders from enforcing their rights to replace Fannie Mae as trustee if the event of default arises solely because a receiver has been appointed.

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

If we are placed into receivership and do not or cannot fulfill our guaranty obligations, certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. For a description of certain rights of certificateholders to proceed against Treasury if we fail to pay under our guaranty, see **"DESCRIPTION OF THE CERTIFICATES—Trust Agreement—*Certificateholder Rights Upon a Guarantor Event of Default.*"**

We have experienced substantial deterioration in the credit performance of mortgage loans that we own or that back our guaranteed Fannie Mae MBS, which we expect to continue and to result in additional credit-related expenses.

We are exposed to mortgage credit risk relating to both the mortgage loans that we hold in our investment portfolio and the mortgage loans that back all of our certificates. When borrowers fail to

make required payments of principal and interest on their mortgage loans, we are exposed to the risk of credit losses and credit-related expenses.

Conditions in the housing and financial markets worsened dramatically during 2008 and remained stressed in 2009 and 2010, contributing to a deterioration in the credit performance of our book of business, negatively affecting the serious delinquency rates, default rates and average loan loss severity on the mortgage loans that we hold or that back our certificates, as well as increasing our inventory of foreclosed properties. Increases in delinquencies, default rates and loss severity cause us to experience higher credit-related expenses. The credit performance of our book of business has also been negatively affected by the extent and duration of the decline in residential property values and high unemployment. These deteriorating credit performance trends have been notable in certain of our higher risk loan categories, states and vintages. In addition, declines in residential property values, adverse market conditions, and continuing high levels of unemployment have also increasingly affected the credit performance of our broader book of business. Moreover, as the social acceptability of defaulting on a single-family mortgage loan increases, more borrowers may default on their mortgage loans because they owe more than the related properties are worth.

Adverse credit performance trends may continue, particularly if we experience further national and regional declines in residential property values, weak economic conditions and high unemployment.

The credit losses we experience in future periods are likely to be larger, and perhaps substantially larger, than our current combined loss reserves. As a result, we likely will experience credit losses for which we have not yet made provision.

In accordance with generally accepted accounting principles ("GAAP"), our combined loss reserves, as reflected in our financial statements, do not reflect our estimate of the future credit losses inherent in our existing guaranty book of business. Instead, they reflect only the probable losses that we believe we have already incurred as of the date of the financial statements. Although we believe that our credit losses will increase in the future due to the weak housing and mortgage markets and may increase, in the near term, due to the costs of our activities under various programs designed to keep borrowers under single-family loans in their homes, high unemployment and other negative trends, we are not permitted under GAAP to reflect these future trends in our loss reserve calculations. Because of these negative trends, there is significant uncertainty regarding the full extent of our future credit losses, and we expect to continue to add to our loss reserves. The credit losses we experience in future periods will adversely affect our business, results of operations, financial condition, liquidity and net worth.

We expect to experience further losses and write-downs relating to our investment securities.

We experienced significant losses and write-downs relating to our investment securities in 2008 and recorded significant write-downs of some of our available-for-sale securities in 2009. A substantial portion of these losses and write-downs related to our investments in private-label mortgage-backed securities backed by Alt-A and subprime single-family mortgage loans and our investments in commercial mortgage-backed securities due to the decline in property values and the weak economy. We continue to expect to experience additional write-downs of our investments in private-label mortgage-related securities, including those that continue to be AAA-rated.

We also have incurred significant losses relating to the non-mortgage investment securities in our cash and other investments portfolio, primarily as a result of a substantial decline in the market value of these assets due to the financial market crisis. The fair value of the investment securities we hold may be further adversely affected by deterioration in the housing market and economy, including continued high unemployment, additional ratings downgrades or other events.

To the extent that the market for our securities remains illiquid, we are required to use a greater amount of management judgment to value the securities we own in our investment portfolio.

Moreover, if we were to sell any of these securities, the price we ultimately would realize could be materially lower than the estimated fair value at which we carry these securities on our balance sheet.

Any of the above factors could require us to record additional write-downs in the value of our investment portfolio, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Our business activities are significantly restricted by the conservatorship and the senior preferred stock purchase agreement.

We are currently under the control of our conservator and do not know when or how the conservatorship will be terminated. Under the Regulatory Reform Act, FHFA, as conservator, can direct us to enter into contracts or enter into contracts on our behalf. In addition, FHFA, as conservator, generally has the power to transfer or sell any of our assets or liabilities and may do so without the approval, assignment or consent of any party. Furthermore, our directors do not have any duties to any person or entity except to the conservator. As a result, our directors are not obligated to consider the interests of the company, the holders of our equity or debt securities or the holders of our certificates in making or approving a decision, unless specifically directed to do so by the conservator.

In February 2010 the conservator said that while we are in conservatorship, we will be limited to continuing our existing core business activities and taking actions necessary to advance the goals of the conservatorship.

The senior preferred stock purchase agreement with Treasury includes a number of covenants that significantly restrict our business activities. We cannot, without the prior written consent of Treasury, pay dividends (except on the senior preferred stock); sell, issue, purchase or redeem Fannie Mae equity securities (with certain limited exceptions); sell, transfer, lease or otherwise dispose of assets in specified situations; engage in transactions with affiliates other than on arm's-length terms or in the ordinary course of business; issue subordinated debt; or incur indebtedness that would result in our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are allowed to own. In deciding whether or not to consent to any request for approval it receives from us under the agreement, Treasury has the right to withhold its consent for any reason and is not required by the agreement to consider any particular factors, including whether or not management believes that the transaction would benefit the company. Pursuant to the senior preferred stock purchase agreement, the maximum allowable amount of mortgage assets we may own on December 31, 2010 is $810 billion. On December 31, 2011, and on each December 31 thereafter, our mortgage assets may not exceed 90% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year. The maximum allowable amount is reduced annually until it reaches $250 billion. This limit on the amount of mortgage assets we are permitted to hold could constrain the amount of delinquent loans we purchase from multifamily MBS trusts. These factors may adversely affect our business, results of operations, financial condition, liquidity and net worth.

We may not be able to meet our housing goals and duty to serve requirements, and actions we take to meet these requirements may adversely affect our business, results of operations, financial condition, liquidity and net worth.

In September 2010, FHFA published a final rule implementing the new housing goals structure for 2010 and 2011 as required by the Regulatory Reform Act. We may not be able to meet all of our 2010 housing goals due to current mortgage market conditions. In addition, in June 2010, FHFA published a proposed rule to implement our new duty to serve requirements relating to very low-, low- and moderate-income families in three underserved markets: manufactured housing, affordable housing preservation and rural areas.

If we do not meet our housing goals or duty to serve requirements, and FHFA finds that the goals or requirements were feasible, we may become subject to a housing plan that could require us to take additional steps that could have an adverse effect on our financial condition. With respect to our housing goals in particular, the potential penalties for a failure to comply with housing plan requirements include a cease-and-desist order and civil monetary penalties. In addition, to the extent that we purchase higher-risk loans to meet our housing goals or our duty to serve requirements, these purchases may contribute to further increases in our credit losses and credit-related expenses.

Limitations on our ability to access the debt capital markets could have a material adverse effect on our ability to fund our operations and generate net interest income.

Our ability to fund our business depends primarily on our ongoing access to the debt capital markets. Our level of net interest income depends on how much lower our cost of funds is compared to what we earn on our mortgage assets. Market concerns about matters such as the extent of government support for our business and the future of our business (including future profitability, future structure, regulatory actions and GSE status) could have a severe negative effect on our access to the unsecured debt markets, particularly for long-term debt. We believe that our ability in 2009 to issue debt of varying maturities at attractive pricing resulted from federal government support of us and the financial markets, including the prior availability of a credit facility provided by Treasury and the purchase by the Board of Governors of the Federal Reserve System ("Federal Reserve") of our debt and MBS. As a result, we believe that our status as a GSE and continued federal government support of our business and the financial markets are essential to maintaining our access to debt funding. Changes or perceived changes in the government's support of us or the markets could lead to an increase in our roll-over risk in future periods and have a material adverse effect on our ability to fund our operations. Although demand for our debt securities has continued to be strong as of the date of this prospectus, demand for our debt securities could decline, perhaps significantly. There can be no assurance that the government will continue to support us or that our current level of access to debt funding will continue.

In addition, future changes or disruptions in the financial markets could significantly change the amount, mix and cost of funds we obtain, as well as our liquidity position. If we are unable to issue both short- and long-term debt securities at attractive rates and in amounts sufficient to operate our business and meet our obligations, it likely would interfere with the operation of our business and have a material adverse effect on our liquidity, results of operations, financial condition and net worth.

Our liquidity contingency planning may not provide sufficient liquidity to operate our business and meet our obligations if we cannot access the unsecured debt markets.

We believe that market conditions over the last several years have had an adverse impact on our ability to plan effectively for a liquidity crisis. During periods of adverse market conditions, our ability to repay maturing indebtedness and fund our operations could be significantly impaired. Our liquidity contingency planning during 2010 relies on our ability to pledge mortgage assets as collateral for secured borrowings and sell other assets. However, when adverse market conditions exist, our ability to pledge or sell mortgage assets may be impaired, or the assets may be reduced in value if other market participants are seeking to pledge or sell similar assets at the same time. Moreover, we may be unable to find sufficient alternative sources of liquidity if our access to the unsecured debt markets is impaired.

Operational control weaknesses could materially adversely affect our business, cause financial losses and harm our reputation.

Shortcomings or failures in our internal processes, people or systems could have a material adverse effect on our risk management, liquidity, financial statement reliability, financial condition and results of operations; disrupt our business; and result in legislative or regulatory intervention,

liability to customers, and financial losses or damage to our reputation, including as a result of our inadvertent dissemination of confidential or inaccurate information. For example, our business is dependent on our ability to manage and process, on a daily basis, an extremely large number of transactions across numerous and diverse markets and in an environment in which we must make frequent changes to our core processes in response to changing external conditions. These transactions are subject to various legal and regulatory standards. We rely upon business processes that are highly dependent on people, technology and the use of numerous complex systems and models to manage our business and produce books and records upon which our financial statements are prepared. We experienced a number of operational incidents in 2009 and 2010 related to inadequately designed or failed execution of internal processes or systems.

We are implementing our operational risk management framework, which consists of a set of integrated processes, tools, and strategies designed to support the identification, assessment, mitigation and control, and reporting and monitoring of operational risk. We also have made a number of changes in our structure, business focus and operations, as well as changes to our risk management processes, to keep pace with changing external conditions. These changes, in turn, have necessitated modifications to or development of new business models, processes, systems, policies, standards and controls. While we believe that the steps we have taken and are taking to enhance our technology and operational controls and organizational structure will help to identify, assess, mitigate, control, and monitor operational risk, our implementation of our operational risk management framework may not be effective to manage or prevent these risks and may create additional operational risk as we execute these enhancements.

In addition, we have experienced substantial changes in management, employees and our business structure and practices since the conservatorship began. These changes could increase our operational risk and result in business interruptions and financial losses. In addition, due to events that are wholly or partially beyond our control, employees or third parties could engage in improper or unauthorized actions, or these systems could fail to operate properly, which could lead to financial losses, business disruptions, legal and regulatory sanctions, and reputational damage.

Deterioration in the credit quality of, or defaults by, one or more of our mortgage insurer counterparties could result in nonpayment of claims under mortgage insurance policies, business disruption and increased concentration risk.

We rely heavily on mortgage insurers to provide insurance against borrower defaults on conventional single-family mortgage loans with LTV ratios over 80% at the time of acquisition. The current weakened financial condition of our mortgage insurer counterparties creates a risk that these counterparties will fail to fulfill their obligations to reimburse us for claims under insurance policies. Since January 1, 2009, the insurer financial strength ratings of all of our major mortgage insurer counterparties have been downgraded to reflect their weakened financial condition, in some cases more than once. One of our mortgage insurer counterparties ceased issuing commitments for new mortgage insurance in 2008, and, under an order received from its regulator, is now paying all valid claims 60% in cash and 40% by the creation of a deferred payment obligation, which may be paid in the future.

A number of our mortgage insurers publicly disclosed that they might exceed the state-imposed risk-to-capital limits under which they operate and they might not have access to sufficient capital to continue to write new business in accordance with state regulatory requirements. Regulators in some states have been granted statutory relief to temporarily waive or raise risk-to-capital limits. However, we cannot be certain that a regulator will grant such relief for a regulated entity. Some mortgage insurers have been exploring corporate restructurings, intended to provide relief from risk-to-capital limits in certain states. A restructuring plan that would involve contributing capital to a subsidiary would result in less liquidity available to its parent company to pay claims on its existing book of business, and an increased risk that its parent company will not pay its claims in full in the future.

In addition, many mortgage insurers have pursued and continue to explore capital raising options. If mortgage insurers are not able to raise capital and exceed their risk-to-capital limits, they will likely be forced into run-off or receivership unless they can secure a waiver from their state regulator. This would increase the risk that they will fail to pay our claims under insurance policies, and could also cause the quality and speed of their claims processing to deteriorate. If our assessment of any mortgage insurer counterparty's ability to fulfill its obligations to us worsens and our internal credit rating for the insurer is further downgraded, it could result in a significant increase in our loss reserves and a significant increase in the fair value of our guaranty obligations.

Many mortgage insurers have stopped insuring new single-family mortgages with higher loan-to-value ratios or with lower borrower credit scores or on select property types, which has contributed to the reduction in our single-family business volumes for high loan-to-value ratio loans. As our charter generally requires us to obtain credit enhancement on conventional single-family mortgage loans with loan-to-value ratios over 80% at the time of purchase, an inability to find suitable credit enhancement may inhibit our ability to pursue new business opportunities, meet our housing goals and otherwise support the housing and mortgage markets. For example, where mortgage insurance or other credit enhancement is not available, we may be hindered in our ability to refinance borrowers whose loans we do not own or guarantee into more affordable loans. In addition, access to fewer mortgage insurer counterparties will increase our concentration risk with the remaining mortgage insurers in the industry.

Housing Industry Factors:

Mortgage fraud could result in significant financial losses and harm to our reputation.

We use a process of delegated underwriting in which lenders make specific representations and warranties about the characteristics of the mortgage loans we purchase and securitize. As a result, we do not independently verify most borrower information that is provided to us. This exposes us to the risk that one or more of the parties involved in a transaction (the borrower, seller, broker, appraiser, title agent, lender or servicer) will engage in fraud by misrepresenting facts about a mortgage loan. We have experienced financial losses resulting from mortgage fraud, including institutional fraud perpetrated by counterparties. In the future, we may experience additional financial losses and reputational damage as a result of mortgage fraud.

The Wall Street Reform Act and other regulatory changes in the financial services industry may negatively affect our business.

The Wall Street Reform Act will significantly change the regulation of the financial services industry, including the creation of new standards related to regulatory oversight of systemically important financial companies, derivatives, asset-backed securitization, mortgage underwriting and consumer financial protection. The Wall Street Reform Act will directly and indirectly affect many aspects of our business and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. The Wall Street Reform Act and related future regulatory changes could require us to change certain of our business practices, impose significant additional costs on us, limit the products we offer, require us to increase our regulatory capital or otherwise adversely affect our business. In addition, implementation of this legislation will result in increased supervision and more comprehensive regulation of our customers and counterparties in the financial services industry, which may have a significant impact on the business practices of our customers and counterparties, as well as on our counterparty credit risk.

Examples of aspects of the Wall Street Reform Act and related future regulatory changes that may significantly affect us include mandatory clearing of certain derivatives transactions, which could impose significant additional costs on us, and minimum standards for residential mortgage loans, which could subject us to increased legal risk for loans we purchase or guarantee. We could also be designated as a "systemically important" non-bank financial company subject to supervision and regulation by the Federal Reserve. If this were to occur, the Federal Reserve would have the authority

to examine us and could impose stricter prudential standards on us, including risk-based capital requirements, leverage limits, liquidity requirements, stress tests, credit concentration limits, resolution plan and credit exposure reporting requirements, and other risk management measures.

We are unable to predict how the Wall Street Reform Act will be implemented, or whether any additional or similar changes to statutes or regulations (and their interpretation or implementation) will occur in the future. As a result, it is difficult to assess fully the impact of this legislation on our business and industry at this time.

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

Structural changes in the financial services industry may negatively affect our business.

The financial market crisis has resulted in mergers of some of our most significant counterparties. Consolidation of the financial services industry has increased and may continue to increase our concentration risk to counterparties in this industry. Moreover, we are and may become more reliant on a smaller number of institutional counterparties, which both increases our risk exposure to any individual counterparty and decreases our negotiating leverage with these counterparties.

The structural changes in the financial services industry and legislative or regulatory changes could affect us in substantial and unforeseeable ways and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

The occurrence of a major natural or other disaster in the United States could increase our delinquency and default rates, credit losses, credit-related expenses and average loan loss severity for the loans in the affected geographic area.

We conduct our business in the residential mortgage market and own or guarantee the performance of mortgage loans throughout the United States. A major natural or environmental disaster, terrorist attack, health epidemic or similar event (a "major disruptive event") could occur in one or more regions of the United States. Such a major disruptive event could either damage or destroy residential real estate securing mortgage loans that we own or that back our certificates or negatively affect the ability of borrowers to continue to make principal and interest payment on mortgage loans, that we own or that back the certificates. Any such result could, in turn, increase the delinquency and default rates, credit losses, credit-related expenses and average loan loss severity of our mortgage loans in the affected region. While we attempt to acquire mortgage loans from all regions of the country, there can be no assurance that a major disruptive event, depending on its magnitude, scope, and nature, will not lead to any of these adverse results. Any or all of these adverse results could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

The occurrence of a major disruptive event in the United States could disrupt our business operations.

If a major disruptive event occurs, the contingency plans and facilities that we have in place may be insufficient to prevent an adverse effect on our ability to conduct business, which could lead to financial losses. Substantially all of our senior management and investment personnel work out of our offices in the Washington, DC metropolitan area. If a disruption occurs and our senior management or other employees are unable to occupy our offices, communicate with other personnel or travel to other locations, our ability to interact with each other and with our customers may suffer, and we may not be successful in implementing contingency plans that depend on communication or

travel. If our contingency plans are not successfully implemented, there could be a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Yield and Prepayment Factors:

Yield

Mortgage loans in your pool could be repaid at a different speed than you expect, affecting the timing of principal payments on your certificates.

If mortgage loans in your pool are repaid at a different speed than you expect when you purchase your certificates, the return on your investment in the certificates could be less than you expect. If the loans are prepaid more quickly than you expect, the principal on your certificates will be paid to you sooner than you expect. Depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest those proceeds at a yield that is equal to or greater than the yield on your certificates. If the loans are prepaid more slowly than you expect, the principal on your certificates will be paid to you later than you expect. Your ability to reinvest these funds would therefore be delayed. If the yield on your certificates is lower than comparable investments available when the certificates prepay or mature, you will be at a disadvantage by not having as much principal available to reinvest at that time, and by having your investment dollars remain invested in the certificates for a longer period than you expect. Some of the specific reasons that mortgage loans could be prepaid at a rate that differs from your expectations are described below.

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

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

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

We have several business lines under which we purchase and securitize loans, each of which has different loan eligibility requirements and underwriting standards. Moreover, a multifamily pool may include a single loan, a mix of loans with differing characteristics or a group of loans originated at different times by different lenders. Differences among eligibility and underwriting standards that were applied in the loan purchases or differences among the loan characteristics may affect the likelihood that a borrower will prepay a loan under various prevailing economic circumstances or the likelihood that a borrower will become delinquent. Moreover, we change our loan eligibility requirements and underwriting standards from time to time. Thus, the differences among pools may affect whether the rate of principal payment of a particular issuance of certificates will follow historical payment averages or payment averages of otherwise similar certificates issued concurrently. This is especially true for pools including only one loan or a small number of loans.

A disproportionate incidence of prepayments and purchases from a pool holding adjustable-rate mortgage loans with different interest rates will affect your yield.

Certificateholders in multifamily pools with more than one adjustable-rate loan receive a yield that is the weighted average of the loan rates, net of guaranty and servicing fees. The weighted average will change whenever a loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases among loans with different interest rates will increase or decrease your effective yield.

Loans in your pool may not require payment of prepayment premiums or, even if premium payments are required and collected, you may not be entitled to receive a share

of the prepayment premiums. Our guaranty does not extend to the payment of prepayment premiums.

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

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

If a mortgage loan in your pool is defeased, the defeasance eliminates the possibility of a prepayment of principal of that loan.

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

Sales and Refinancing

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

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

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

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

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

If a multifamily property is sold, the new owner may decide not to assume the existing mortgage loan even if the loan permits an assumption. Instead, the borrower may pay the loan in full, along with any required prepayment premium. As a result, you may receive payments of principal on your certificates more quickly than you expect.

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

Many multifamily loans permit a loan to be assumed by or transferred to a new borrower that is approved by the lender. Mortgage loans that provide for recourse to the borrower, however, may be assumed by or transferred to a new borrower under only limited circumstances (estate planning, short-term leases, and similar events). Thus, if a mortgage loan in your pool is recourse to the borrower, and the borrower decides to sell the related mortgaged property, the borrower may be required to pay the loan in full, along with any required prepayment premium. As a result, you may receive payments of principal on your certificates more quickly than you expect. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Assumptions of Recourse Loans and Transfers of Interest in Borrowers with Recourse*."

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

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

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

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

Debt service coverage ratios for mortgage loans in your pool may be lower than at the time the loans were originated, causing borrowers not to refinance their loans and slowing the rate of principal payment on your certificates.

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

Loan Purchases

We will purchase a mortgage loan from a pool if the borrower exercises an option to convert the loan from an adjustable-rate loan to a fixed-rate loan, accelerating the rate of principal payment on your certificates.

An adjustable-rate mortgage loan in your pool may permit the borrower to exercise, during a specified period, an option to convert the interest rate on the loan from an adjustable rate of interest to a fixed rate of interest. The trust agreement gives us the option, but not the obligation, to purchase the loan from the pool upon a conversion. Nevertheless, if a borrower exercises the option to convert the loan to a fixed-rate loan, we will purchase the loan from the pool before the conversion date, accelerating the rate of principal payment on your certificates.

We have the option to purchase a fixed-rate mortgage loan from a pool if the borrower exercises an option to extend the maturity date and change the fixed rate of interest, accelerating the rate of principal payment on your certificates.

A fixed-rate mortgage loan in your pool may permit the borrower to exercise, during a specified period, an option to extend the maturity date of the loan. If a borrower exercises such an option, the then-current fixed rate of interest will change to a different fixed rate of interest throughout the extended term. The trust agreement gives us the option, but not the obligation, to purchase the loan from the pool upon an extension. If we purchase the loan from the pool, the purchase will accelerate the rate of principal payment on your certificates. If the loan remains in the pool, the loan will accrue interest at the new fixed rate during the extended term. The interest passed through during the extended term will be based on the new fixed rate, which may be lower than the original fixed rate, affecting the yield on your certificates.

A fixed-rate mortgage loan may permit a borrower to exercise an option to extend the maturity date and convert the loan from a fixed-rate loan to an adjustable-rate loan, affecting the yield on your certificates.

A fixed-rate mortgage loan in your pool may permit the borrower to exercise, during a specified period, an option to extend the maturity date of the loan and convert the loan from a fixed-rate loan to an adjustable-rate loan. If a borrower exercises such an option, the then-current fixed rate of interest will change to an adjustable rate of interest throughout the extended term. The trust agreement gives us the option, but not the obligation, to purchase the loan from the pool upon an extension. Nevertheless, if a borrower exercises the option to extend the loan, our current policy requires that the loan remain in the pool after the extension option is exercised. The interest passed through to certificateholders during the extended term will be based on the new adjustable rate, which may be lower than the original fixed rate, affecting the yield on your certificates.

We are obligated to purchase mortgage loans from pools under certain other conditions, and permitted to purchase mortgage loans from pools under other conditions, accelerating the rate of principal payment on your certificates.

If certain events occur, we are obligated to purchase loans from a pool. If other events occur, we have the option to purchase loans from a pool. For a description of the events that may result in the purchase of a loan, see "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Purchases of Loans from Pools*."

When a loan is purchased from a pool, its stated principal balance is passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, a mandatory or optional purchase of a loan from your pool will accelerate the payment of principal on your certificates. Moreover, no prepayment premium is payable to certificateholders in this case.

We may require a seller to purchase some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate at which you receive your return of principal.

Each seller that sells multifamily mortgage loans to us makes various representations and warranties about itself and the loans. For a description of the subjects covered by these representations and warranties, see **"FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties."** If these representations and warranties were not true when they were made, we may require the seller to purchase the affected loans from your pool at any time. The affected loans could include some or all of the loans in your pool.

When a loan is purchased from a pool, its stated principal balance, together with accrued interest, is passed through to the related certificateholders on the distribution date in the month following the month of purchase. Thus, a breach of a representation and warranty may accelerate the rate of payment of principal on your certificates. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Purchases of Loans from Pools*." Moreover, no prepayment premium is payable to certificateholders in this case.

We may purchase or require a seller to purchase a mortgage loan from your pool if the loan becomes at least 30 days delinquent with respect to a payment due on any of the first four consecutive payment dates (eight consecutive payment dates if the loan is a biweekly loan) that occur after the loan was sold to us.

If a mortgage loan is at least 30 days delinquent with respect to a payment that is due on any of the first four consecutive payment dates (eight consecutive payment dates if the loan is a biweekly loan) that occur after the loan was sold to us, we have the option to purchase the loan, or to require the seller of the loan to purchase the loan, from your pool. Any such purchase must occur during the period that ends 90 days after the fourth consecutive payment date (or eighth consecutive payment date if the loan is a biweekly loan). If the mortgage loan is purchased from the pool, its stated principal balance will be passed through to certificateholders on the distribution date in the month after the month in which the loan is purchased. Thus, our purchase of such a loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment. No prepayment premium is payable to certificateholders in this case. See **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Purchases of Loans from Pools***—Optional Purchases by Issuer."***

We may purchase a mortgage loan from your pool if the borrower defaults on the loan, resulting in prepayment of all or a portion of the principal on your certificates.

We have the option to purchase a mortgage loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan).

We generally purchase a delinquent loan from a pool soon after it becomes eligible for purchase. We may decide, or may be directed by FHFA, as conservator, to exercise more or less frequently our option to purchase delinquent mortgage loans from pools as soon as they become eligible for purchase. See **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Purchases of Loans from Pools***—Optional Purchases by Guarantor."***

When we purchase a delinquent mortgage loan from a pool, its stated principal balance is passed through to certificateholders on the distribution date in the month after the month in which the loan is purchased. Thus, our purchase of a delinquent loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment. No prepayment

premium is payable to certificateholders in this case. See **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments—*** *Purchases of Loans from Pools* ***—Optional Purchases by Guarantor."***

Other Prepayments

There may be partial prepayments of principal on a loan in your pool, accelerating the prepayment of principal on your certificates.

Although voluntary partial prepayments of principal are generally prohibited on multifamily mortgage loans, some mortgage loans may permit voluntary partial prepayments. In addition, an involuntary prepayment may occur, for example, if the damage to or destruction of a mortgaged property is wholly or partially covered by insurance but the insurance proceeds are used to prepay the related mortgage loan rather than repair the property. If a partial prepayment of principal is made on a loan (whether voluntarily or involuntarily), we will pass through to certificateholders the prepaid principal and, if a prepayment premium is due in connection with the prepayment and is actually collected, any share of the premium to which they are entitled. The outstanding principal balance of the certificates will be reduced by the amount of this prepaid principal, resulting in an earlier return of principal than would otherwise be the case. The effect of the prepayment of principal may be greater if the loan is an interest-only loan for all or a portion of its term because distributions on your certificates during the interest-only term will include any unscheduled payment of principal made by the borrower during that time.

Cash, letters of credit or other non-real estate cash-equivalent collateral securing a borrower's performance may cause a partial prepayment of principal on a loan in your pool, accelerating the prepayment of principal on the related certificates.

A lender may require a borrower to deliver cash, a letter of credit or another form of cash-equivalent collateral either to provide additional collateral for a loan or to secure performance of the borrower's obligations under a related agreement (for example, to complete specified repairs or to reach a specified occupancy rate). If the borrower does not satisfy its obligations or if the cash or proceeds of the letter of credit or other cash-equivalent collateral are needed, we may draw on the collateral and may apply all or a portion of the proceeds to repay principal on the loan. This prepayment will be passed through to you as a partial prepayment on your certificates, along with the certificateholders' share, if any, of any prepayment premiums that we actually collect.

If any mortgage loans in your pool permit reamortization of principal after a partial prepayment of principal, monthly distributions on your certificates will be reduced.

If there is a partial prepayment of principal on a mortgage loan in your pool, whether the prepayment is voluntary or involuntary, the loan may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. (The prospectus supplement will specify if a reamortization may occur on a loan in your pool.) If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in the monthly payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield.

External Factors

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

Repayment of loans secured by multifamily properties typically depends primarily upon the successful operation of the related properties rather than upon the existence of independent income or assets of the borrowers. A number of factors, many of which are beyond the control of the property

owner, may adversely affect the ability of a multifamily property to generate sufficient net operating income to pay debt service and to maintain its value.

These factors include the following:

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

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

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

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

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

Property—Location

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

If a loan is purchased from your pool for one of the reasons specified in **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Mortgage Loan Substitution,"*** we may substitute another loan in its place if (i) the substitution takes place within a specified period after the issue date of the certificates, (ii) the substitute loan

meets specified criteria, and (iii) the substitution occurs during the same due period in which the purchase of the loan occurred. If a mortgage loan is substituted for a purchased loan, the terms of the substitute loan and characteristics of the substitute mortgaged property could differ, perhaps significantly, from the terms and characteristics of the purchased loan and related mortgaged property. Depending on the number of loans in your pool, the substitution of a loan could have a significant effect on your investment.

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

Although an investment in certificates backed by multifamily loans may benefit an investor by providing diversification, the benefit may be realized only if and to the extent that your pool contains many loans that differ from one another as to credit risk and other risk parameters. Many pools are backed by only one or two loans and, thus, do not afford the benefit of diversification. You should review carefully the prospectus supplement, which provides the number of loans included in a pool, the geographic locations of the mortgaged properties and other general characteristics of the loans. The diversification of a pool may increase or decrease over time due to repayment of loans in the pool or substitution of collateral in your pool.

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

We purchase multifamily loans throughout the United States and its territories. A pool may include loans secured by property in one or several states and may be relatively concentrated or diverse in location. Regional economic differences among locations may affect the likelihood that a borrower will prepay a loan or that a borrower will become delinquent. Thus, the differences among geographic concentrations in pools may affect whether the principal payment rate of a particular issuance of certificates will follow the predicted or average payment speeds of otherwise similar certificates issued concurrently. Furthermore, a natural disaster such as a hurricane, tornado or earthquake could severely affect the economy of a particular region for an extended period of time. This could result in an increase in the number of defaults or repayments by borrowers, causing accelerated principal payments to certificateholders and adversely affecting the liquidity of the certificates.

Property—Affordable Housing Loans

If any loans in your pool are secured by properties subject to restrictions on tenant income, occupancy and/or rent, the successful operation of the properties may depend upon additional factors.

Affordable housing loans are secured by properties that are generally encumbered by restrictive covenants, regulatory agreements or ground leases that impose restrictions relating to tenant income, occupancy and/or rent. A breach of these restrictions may constitute an event of default under the mortgage or may result in the termination of any payments being received from the governmental entity that imposed the restrictions. Affordable housing loans may include, among other types of loans, rural housing loans. See "*—Property—Loans with Special Features—**Rural Rental Housing Loans***."

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

Some affordable housing properties may have additional subordinate debt owed to a multifamily lender or to a governmental entity. Subordinate debt owed to a governmental entity may be for the

benefit of the property but may be conditioned on the property continuing to comply with specified use and occupancy restrictions. Failure to make all payments due on the subordinate debt or failure to comply with any use and occupancy restrictions may result in a default on the subordinate debt and a consequent default on the loan in your pool.

In any of these cases, a default on the loan may result in acceleration of the mortgage loan and the early payment of principal on your certificates.

An affordable housing loan may be secured by a property that is eligible for low-income housing tax credits but whose owners fail to maintain compliance with the requirements for maintaining the tax credits.

If a tax credit mortgaged property does not maintain compliance with the tax credit restrictions on tenant income or rental rates, the owners of the tax credit property may lose the tax credits related to the period of the noncompliance and face the partial recapture of previously taken tax credits. If the loss of the tax credits adversely affects the cash flow of the borrower, an event of default may occur, resulting in acceleration of the mortgage loan and the early payment of principal on your certificates.

Property—Loans with Special Features

If any loans in your pool are secured by properties with special features, the successful operation of the properties may depend upon additional factors.

Significant factors affecting loans secured by properties with one or more special features are set forth below. If an event of default under a mortgage loan secured by any of these special feature mortgaged properties results in the principal balance of the loan being paid in full, you will receive an early payment of principal on your certificates. Many multifamily pools are backed by only one or two mortgage loans. If there is only one mortgage loan in a pool and the principal balance is paid in full, the pool will be terminated and the stated principal balance will be distributed to you.

Cooperative Blanket Loans: A cooperative housing corporation may be a borrower on a blanket mortgage loan secured by a cooperative housing project. The unit-shareholders, who are the owners of the cooperative housing corporation, are responsible for paying the corporation/borrower their proportionate share of the loan payments and other project-level expenses. In addition, the unit-shareholders are responsible for paying special assessments to reimburse the corporation/borrower for any unanticipated expenditures. The corporation/borrower's ability to make monthly payments on the blanket mortgage loan is highly dependent upon the timely receipt of these mortgage and expense payments from the unit-shareholders. If these payments are not made as and when required, the corporation/borrower's cash flow may be adversely affected.

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

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

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

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

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

Student Housing Loans/Dedicated Student Housing Loans: These loans are secured by student housing properties located near a college or university campus. The high turnover of student tenants at the end of a semester or school year and the higher level of required maintenance may have a significant adverse effect on the profitability of the operation of student housing. Moreover, a decline in student enrollment at the college or university or construction of on-campus student housing may adversely affect the student housing rental demand. If the student housing is not profitable, the borrower may be unable to make the required principal and interest payments, especially if units at the property are not readily convertible to or desirable as units of conventional multifamily properties.

Subordinated Financing and Additional Collateral; Mezzanine Financing and Equity Interests

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

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

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

In each of these cases, we may accelerate payment of not only the defaulted loan but also the loan in your pool, resulting in an early prepayment of principal on your certificates, which would affect your yield.

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

A mezzanine loan may have been, or may be, made to the entity (or entities) that owns a mortgage borrower obligated on a mortgage loan in your pool. The mezzanine loan will be secured by the entity's ownership interests in the mortgage borrower. Although the mezzanine loan documents generally require that cash flow from the mortgaged property be used first for all payments due under the mortgage loan, including debt service, repairs and reserves, any decrease in the cash flow from the mortgaged property may decrease the cash flow available for payments on the mezzanine loan and cause the mezzanine borrower to default on the mezzanine loan.

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

If the mortgage loan borrower defaults for any of these reasons and we declare the entire unpaid principal balance of the mortgage loan due and payable, the stated principal balance of the loan will be passed through to certificateholders. No prepayment premiums will be paid to certificateholders in this case.

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

If a mezzanine lender forecloses on the pledged equity interests in a mortgage borrower obligated on a mortgage loan in your pool, the mezzanine lender will become the owner of the mortgage borrower, thereby causing a change in control of the mortgage borrower. The mezzanine lender may decide to sell the mortgaged property subject to the mortgage loan, which could result in the refinancing of the mortgage loan by a new purchaser and the payment in full of the mortgage loan. If the mortgage loan is prepaid, the stated principal balance of the loan will be passed through to certificateholders, along with the certificateholders' share, if any, of any prepayment premiums that are actually collected.

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

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

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

When an eligible mortgage loan is defeased, the lien on the mortgaged property is released and the loan is thereafter secured by defeasance collateral (Treasury or agency securities). The consequences of the release of the mortgaged property on the special tax attributes of the related certificates are discussed in **"MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes—*Defeasance Mortgage Loans.*"**

Liquidity Factors:

There may be no market for the certificates, and no assurance can be given that a market will develop and continue.

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

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

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

The occurrence of a major natural or other disaster in the United States could increase our delinquency rates and credit losses or disrupt our business operation.

The occurrence of a major natural disaster, terrorist attack or health epidemic in the United States could increase our delinquency rates and credit losses in the affected region or regions, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

The contingency plans and facilities that we have in place may be insufficient to prevent an adverse effect on our ability to conduct business, which could lead to financial losses. Substantially all of our senior management and investment personnel work out of our offices in the Washington, DC metropolitan area. If a disruption occurs and our senior management or other employees are unable to occupy our offices, communicate with other personnel or travel to other locations, our ability to interact with each other and with our customers may suffer, and we may not be successful in implementing contingency plans that depend on communication or travel.

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

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

Credit Factors:

Fannie Mae Credit Factors

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

If borrowers fail to make their mortgage loan payments on time or at all, or if a primary servicer fails to remit borrower payments to us, we are responsible for making payments under our guaranty. If, however, we fail to pay, or if our financial condition prevents us from paying, our required guaranty payments on the certificates, payments of principal and/or interest to certificateholders could be reduced, and the timing of payments to certificateholders could be affected. In this case, certificateholders would receive distributions of only the amounts paid on the mortgage loans backing the certificates, which are generally limited to borrower payments and other recoveries on those mortgage loans. Moreover, trust administration fees, securitized excess interest, certain servicing fees and delinquency advance reimbursements would be paid from mortgage loan payments before any payments of principal and interest were made to certificateholders. As a result, delinquencies and defaults on the mortgage loans would adversely affect the amounts that certificateholders would receive each month.

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

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

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

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

Seller Credit Factors:

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

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

Servicer Credit Factors:

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

If a primary servicer experiences financial difficulties or becomes insolvent, its ability to effectively service mortgage loans may become impaired as its focus is more directed toward rebuilding financial strength through measures such as staff reductions. In some cases it may become necessary to transfer servicing to another more effective servicer. Less robust servicing practices before, during, or after the transition to a new servicer can exacerbate loan delinquencies and borrower defaults. Although our guaranty of timely payment of principal and interest covers borrower delinquencies and defaults, an increase in borrower delinquencies and defaults could result in acceleration of prepayments on your certificates, if we decide to exercise our option to purchase the delinquent loans from a pool. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS— Maturity and Prepayment Considerations—Prepayments—***Purchases of Loans from Pools*."

FANNIE MAE

General

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended ("Charter Act"). We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. We became a stockholder-owned and privately managed corporation by legislation enacted in 1968. As discussed below, we are currently in conservatorship.

Under our Charter Act, we were created to:

- provide stability in the secondary market for residential mortgages;
- respond appropriately to the private capital markets;
- provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing, including multifamily housing, for low-and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

In accordance with our statutory purpose, 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 to the MBS trust that we will supplement amounts received by the MBS trust as required to permit timely payments of principal and interest on the certificates. We issue mortgage-backed certificates primarily in exchange for pools of mortgage loans from lenders. By issuing mortgage-backed certificates, we further fulfill 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 structured mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

Our principal office is located at 3900 Wisconsin Avenue NW, Washington, DC 20016 (telephone: (202) 752-7000).

Regulatory Actions and Conservatorship

The Regulatory Reform Act established FHFA as an independent agency with general supervisory and regulatory authority over Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. FHFA assumed the duties of our former regulators, the Office of Federal Housing Enterprise Oversight and the U.S. Department of Housing and Urban Development, or HUD, with respect to safety, soundness and mission oversight of Fannie Mae and Freddie Mac. HUD remains our regulator with respect to fair lending matters.

On September 6, 2008, the Director of FHFA placed Fannie Mae into conservatorship and appointed FHFA as the conservator. Upon its appointment, FHFA immediately succeeded to all of our rights, titles, powers and privileges and those of any stockholder, officer, or director of Fannie Mae with respect to us and our assets. The conservator has the authority to take over our assets and

operate our business with all the powers of our stockholders, directors and officers, and to conduct all business of the company. Under the Regulatory Reform Act, FHFA, as conservator, may take "such action as may be necessary to put the regulated entity in a sound and solvent condition." We have no control over FHFA's actions or the actions it may direct us to take. The conservatorship has no specified termination date; we do not know when or how it will be terminated.

In September 2008, Fannie Mae, through FHFA as our conservator, entered into two agreements with Treasury. The first agreement is the senior preferred stock purchase agreement (as amended, the "stock purchase agreement"), which provided us with Treasury's commitment to provide us with funding under specified conditions (the "commitment"). Under the stock purchase agreement, Treasury's commitment is currently the greater of (i) $200 billion plus the cumulative amount of the company's net worth deficit (the amount by which the company's total liabilities exceed the company's total assets) as of the end of any calendar quarter in 2010, 2011 and 2012, less any positive net worth as of December 31, 2012. We issued 1,000,000 shares of senior preferred stock to Treasury pursuant to the stock purchase agreement. The other agreement is a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae (the "warrant") on a fully diluted basis. The senior preferred stock and the warrant were issued as an initial commitment fee for Treasury's commitment. The stock purchase agreement and the warrant contain covenants that significantly restrict our operations and that are described in the 2009 Form 10-K.

We generally may draw funds under the commitment on a quarterly basis when our total liabilities exceed our total assets on our consolidated balance sheet prepared in accordance with GAAP as of the end of the preceding quarter. All funds drawn on the commitment are added to the liquidation preference on the senior preferred stock, which currently has a 10% annual dividend rate. If we do not pay the dividend quarterly and in cash, the dividend rate would increase to 12% annually, and the unpaid dividend would accrue and be added to the liquidation preference of the senior preferred stock.

We are continuing to operate as a going concern while in conservatorship and remain liable for all of our obligations, including our guaranty obligations, associated with the certificates and other MBS issued by us. The stock purchase agreement is intended to enhance our ability to meet our obligations. Certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see **"DESCRIPTION OF THE CERTIFICATES—Trust Agreement—*Certificateholder Rights Upon a Guarantor Event of Default.*"**

USE OF PROCEEDS

We usually issue certificates in swap transactions in which the certificates are issued in exchange for the multifamily mortgage loan or loans in the pool that backs the certificates. In some instances, we may issue certificates backed by pools of multifamily mortgage loans that we already own. In those transactions, we generally receive cash proceeds upon sale of the certificates to the related dealers. In some cases when a lender sells an MBS to an investor at a premium over its face value, we may share with the lender a portion of the premium paid by the investor. Unless stated otherwise in the prospectus supplement, we apply any cash proceeds we receive to the purchase of other mortgage loans and for other general corporate purposes.

DESCRIPTION OF THE CERTIFICATES

We will issue the certificates pursuant to trust documents. For each issuance of certificates, there will be an issue supplement to the trust agreement related to those certificates. This prospectus relates to certificates issued on and after October 1, 2010, which are issued under our 2010 Multifamily Master Trust Agreement, effective October 1, 2010 (as amended or replaced from time to

time, the “trust agreement”). For information about certificates issued before October 1, 2010, see the related Multifamily MBS prospectus that was in effect at the time those certificates were issued.

The Certificates

General

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

Occasionally, if so stated in the prospectus supplement, the certificates represent fractional undivided beneficial ownership interests in a pool of participation certificates, rather than in a pool of whole mortgage loans. We will hold the participation certificates, in our capacity as trustee under the trust agreement, for the benefit of all holders of certificates of the same issuance. Although the description of the certificates throughout this prospectus is based on the assumption that the certificates represent interests in whole loans, the description of the certificates generally applies to certificates backed by participation interests as well, unless stated otherwise in the prospectus supplement.

Issuance in Book-Entry Form

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

A certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of the certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial owners of the certificates. If a certificateholder is not also the beneficial owner of a certificate, the certificateholder and all the other financial intermediaries in the chain between the certificateholder and the beneficial owner are responsible for establishing and maintaining accounts for their customers.

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

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

Distributions on Certificates

We will make distributions to certificateholders on the 25th day of each month (unless otherwise specified in the prospectus supplement). If the specified day is not a business day, we will make the distribution on the next business day. We refer to this date as a distribution date. We will make the

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

Interest Distributions

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

- For fixed-rate pools, we will distribute one month's interest at the fixed pass-through rate specified in the prospectus supplement.

- For adjustable-rate pools with no mortgage loans permitting negative amortization, we will distribute one month's interest at a variable pass-through rate (based on the rates of interest accruing on the loans), which we refer to as the pool accrual rate. The initial pool accrual rate is specified in the related prospectus supplement.

- For adjustable-rate pools with mortgage loans permitting negative amortization, we will distribute an amount equal to one month's interest at the variable pool accrual rate *minus* the aggregate amount of any deferred interest added to the principal balance of those loans during the related due period. During periods when the loans are negatively amortizing, the amount of interest you receive might not increase (although your certificate balance will be increasing as deferred interest is added to the principal balance of the loans).

The amount of interest distributed to certificateholders on a distribution date will not reflect any loss mitigation measure or other loan modification.

The due period for each distribution date is the period beginning with and including the second calendar day of the calendar month preceding the month in which the distribution date occurs and ending with and including the first calendar day of the month in which that distribution date occurs.

Interest Accrual Basis

We will calculate the amount of interest due each month on the certificates on the basis stated in the prospectus supplement.

- If interest is calculated on the certificates on a 30/360 basis, the certificates will accrue interest based on the assumption that each month consists of 30 days and each year consists of 360 days.

- If interest is calculated on the certificates on an actual/360 basis, the certificates will accrue interest on the basis of the actual number of days in the calendar month preceding the month in which the distribution date occurs and on the assumption that each year consists of 360 days.

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

Principal Distributions

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

- the scheduled principal due on the mortgage loan or loans in the pool during the related due period;
- the aggregate amount of all unscheduled principal payments received during the applicable period:
  - — the stated principal balance of each mortgage loan that was prepaid in full during the calendar month immediately preceding the month in which that distribution date occurs;
  - — the stated principal balance of each mortgage loan that was purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs; and
  - — the amount of any partial prepayment of a mortgage loan received during the calendar month immediately preceding the month in which that distribution date occurs (or during the second preceding calendar month for pools of loans formed from our portfolio that require monthly remittance by the primary servicer of actual payments instead of scheduled payments).

The amount of principal distributed to certificateholders on a distribution date will reflect any change that was made to the amortization schedule resulting from a prepayment, which will cause a reduction in the amount of principal and interest passed through to the certificateholders each month. The amount of principal to be passed through to certificateholders will not reflect any loss mitigation measure or other loan modification.

We may treat any prepayment of principal received on the first business day of a month as if it actually had been received on the last business day of the preceding month. We pass through these prepayments on the distribution date in the month of actual receipt. For example, a prepayment in full received on the first business day of February is treated as if it had been received on the last business day of January and, therefore, will be passed through on February 25th (or on the next business day, if February 25th is not a business day).

The stated principal balance of a mortgage loan is the principal balance of the loan as of the issue date of the certificates, reduced by all payments of principal paid to certificateholders after that date, and increased by accrued interest, if any, that has been added to principal as a result of negative amortization under the loan's terms.

For mortgage loans that do not have their first scheduled principal payment due until the second due period following the issue date of the certificates, certificateholders will receive no scheduled principal payment on the first distribution date (but will receive interest). The prospectus supplement will indicate the percentage of these types of loans in the pool, if any.

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

There are some instances when the distribution date for principal prepayments may differ slightly from the description above. For example, sometimes the primary servicer is unable to provide us with prepayment information in sufficient time to allow us to include the prepayment in the

monthly pool factor for that distribution date. In addition, we may not receive timely reporting information from the primary servicer in instances of a natural disaster, terrorist attack, or other similar catastrophic event. In those instances, we will distribute to certificateholders on that distribution date only the scheduled principal amount (and accrued interest). Following our receipt and reconciliation of required prepayment information from the primary servicer, any principal prepayments that were received but not reported will be distributed to certificateholders on the next scheduled distribution date.

Reports to Certificateholders

Monthly Reports

Each certificateholder that is listed as the holder in the records of a Federal Reserve Bank will be provided the information below on a monthly basis with respect to each payment, adjusted to reflect each certificateholder's pro rata interest in the related pool as of the distribution date:

- the amount due on the certificates on that distribution date on account of total scheduled and unscheduled principal;
- the amount due on the certificates on that distribution date on account of interest;
- the total cash distribution on the certificates on that distribution date;
- for adjustable-rate pools with loans permitting negative amortization, the amount of any deferred interest added to the principal balances of the loans as of that distribution date as a result of negative amortization during the related due period;
- the principal balances of the certificates on that distribution date after giving effect to any distribution of principal on that date (and, for adjustable-rate pools permitting negative amortization, after giving effect to any deferred interest added to the principal balances of those loans during the related due period); and
- for adjustable-rate pools, the pool accrual rate for that distribution date.

Tax Information

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

Trust Agreement

The certificates offered hereby are issued pursuant to the terms of the 2010 Multifamily MBS Master Trust Agreement, dated as of October 1, 2010 (the "trust agreement") and the related issue supplement (together, the "trust documents").

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

Fannie Mae Guaranty

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

- the aggregate amounts of scheduled and unscheduled principal payments described and further explained under "**Distributions on Certificates—*Principal Distributions***," plus
- one month's interest on the certificates.

For fixed-rate pools, we guarantee payment of an interest amount at the fixed pass-through rate specified in the prospectus supplement. For adjustable-rate pools with no loans permitting negative amortization, we guarantee payment of an interest amount at the variable pool accrual rate. For adjustable-rate pools with loans permitting negative amortization, we guarantee payment of an interest amount at the variable pool accrual rate *minus* the aggregate amount of any deferred interest added to the principal balances of the mortgage loans during the related due period.

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

If a primary servicer informs us that a borrower has become subject to the Servicemembers Civil Relief Act or any similar federal or state laws ("relief acts"), and we have not exercised our option to purchase the loan from the pool (as described below), we will make payments to the trust under our guaranty for the difference between the amount of interest actually received from the borrower and the interest payable to the trust.

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

If we were unable to perform our guaranty obligations, certificateholders would receive from the related MBS trust only the payments that borrowers actually made, any servicing advances made by the primary servicer and any other recoveries on the mortgage loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. If that were to happen, delinquencies and defaults on the mortgage loans would directly affect the amount of principal and interest that certificateholders would receive each month. In that case, distributions of principal and interest on the loans would be made in the sequence specified below (to the extent the following amounts are due and have not been already paid):

- *first,* to payment of the trust administration fee and other amounts due to the trustee;
- *second,* to payment of any securitized excess servicing fees, and, if so provided in the related servicing contract, all servicing fees and any excess servicing fees that were securitized (see **"FANNIE MAE PURCHASE PROGRAM—Servicing Compensation and Payment of Certain Expenses"**);
- *third,* to reimbursement of any delinquency advances previously made by the primary servicer or master servicer, to the extent the advances are deemed non-recoverable by the advancing party;
- *fourth,* to payment of interest on the certificates; and
- *last,* all remaining funds to payment of principal on the certificates.

Our guaranty runs directly to each MBS trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Certificateholders also have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed

against Fannie Mae and Treasury, see ***"—Certificateholder Rights Upon a Guarantor Event of Default."***

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

Collection and Other Servicing Procedures

We are responsible as the master servicer under the trust agreement for certain duties. Our duties include entering into contracts with primary servicers to service the mortgage loans, supervising and monitoring the primary servicers, ensuring the performance of certain servicing functions if the primary servicer fails to do so, establishing certain procedures and records for each MBS trust, and taking additional actions as set forth in the trust agreement. Any of the duties of the primary servicer may also be performed by the master servicer. The primary servicers collect payments from borrowers and may make servicing advances, foreclose upon defaulted mortgage loans, and take other actions as set forth in the trust agreement. See **"FANNIE MAE PURCHASE PROGRAM—Seller and Servicer Eligibility"** for information on our primary servicer requirements. Our primary servicers may contract with subservicers to perform some or all of the servicing activities.

Custodial Accounts

Until collections are remitted to us for distribution to certificateholders, each primary servicer is required to deposit collections from borrowers into a demand deposit account or an account through which funds are invested in specified eligible investments. These accounts are called custodial accounts and must be established with eligible depositories and held in our name as master servicer or in the name of the primary servicer as our agent, trustee or bailee unless otherwise specified in the related servicing contract. An eligible depository may be a Federal Reserve Bank, a Federal Home Loan Bank or a financial institution that (i) has its accounts insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF) or another governmental insurer or guarantor acceptable to us, (ii) satisfies the capital requirements of its regulator and (iii) meets specified minimum financial ratings provided by established rating agencies.

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

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

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

Certificate Accounts

Our primary servicers remit borrower collections to us monthly for distribution to certificateholders. These funds are deposited into a certificate account at an eligible depository. Funds held in

the certificate account are held by us as trustee in trust for the benefit of certificateholders pending distribution to certificateholders. Amounts in any certificate account are held separately from our general corporate funds but are commingled with funds for other Fannie Mae trusts and are not separated on a trust by trust basis. We may invest funds in any certificate account in specified eligible investments, including our own debt instruments. We are entitled to all earnings on funds on deposit in each certificate account as a trust administration fee. Neither primary servicers nor certificate-holders are entitled to any earnings from any certificate account, nor are they liable for any losses in the certificate accounts.

Master Servicer

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

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

Removal of Successor Master Servicer

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

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

If any of the servicing events of default occurs with respect to an MBS trust and continues uncorrected, the trustee may or, at the direction of holders of certificates representing at least 51% of the voting rights of that trust, the trustee will, terminate the rights and obligations of the successor master servicer with respect to only that trust and the related mortgage loans and their proceeds, by notifying the master servicer of the removal in writing.

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

Certain Matters Regarding Our Duties as Trustee

We serve as trustee under the trust agreement. Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors. The trustee will not be

responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or if we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations to each MBS trust as guarantor under the Fannie Mae guaranty.

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

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

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

Removal of Successor Trustee

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

- the successor trustee fails to deliver to the paying agent all required funds for distribution (to the extent the trustee has received the related funds), and the failure continues uncorrected for 15 days after written notice of nonpayment has been given by either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of certificates representing at least 5% of the voting rights of the related MBS trust;
- the successor trustee fails to fulfill any of its other obligations under the trust agreement or the related issue supplement, and the failure continues uncorrected for 60 days after written notice of the failure has been given by either the guarantor or, if a guarantor event of default has occurred and is continuing, holders of certificates representing at least 25% of the voting rights of the related MBS trust;
- the successor trustee ceases to be eligible to serve as trustee under the terms of the trust agreement;
- the successor trustee becomes substantially incapable of acting as trustee, or a court or the regulatory entity that has primary supervisory authority over the successor trustee determines, under applicable law and regulation, that the successor trustee is unable to remain as trustee; or
- the successor trustee becomes insolvent, a conservator or receiver is appointed (either voluntarily or involuntarily, and in the case of an involuntary appointment, the order appointing the conservator or receiver has been undischarged or unstayed for 60 days) or the successor trustee admits in writing that it is unable to pay its debts.

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

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

Guarantor Events of Default

Any of the following events will be considered a "guarantor event of default" under the trust agreement for an issuance of certificates:

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

Certificateholder Rights Upon a Guarantor Event of Default

A certificateholder generally does not have any right under the trust agreement to institute any proceeding against us with respect to the trust agreement. A certificateholder may institute such a proceeding only if a guarantor event of default has occurred and is continuing and

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

The trustee will be under no obligation to take any action or to institute, conduct or defend any litigation under the trust agreement at the request, order or direction of any certificateholder unless the certificateholders have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities that the trustee may incur.

Certificateholders' rights may be limited during a receivership or future conservatorship. See **"RISK FACTORS—Fannie Mae Governance Factors."**

Under the senior preferred stock purchase agreement between Treasury and us, certificate-holders are given certain limited rights against Treasury under the following circumstances: (i) we default on our guaranty payments, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the conservator are not diligently pursuing remedies in respect of that failure. In that case, the holders of the affected certificates may file a claim in the U.S. Court of Federal Claims for relief requiring Treasury to fund up to the lesser of (1) the amount necessary to cure the payment default and (2) the lesser of (a) the amount by which our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles, and (b) $200 billion less the aggregate amount of funding previously provided under the commitment.

Voting Rights

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

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

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

Amendment

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

- correct an error, or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or the prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that such cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents;
- modify the trust documents to maintain the fixed investment trust status of an MBS trust for federal income tax purposes; or
- make any other amendment so long as the amendment will not (i) materially and adversely affect the interests of any certificateholder or (ii) have any material adverse tax consequences to certificateholders, as evidenced by an opinion of counsel to that effect satisfactory in form and substance to the issuer and the trustee.

No amendment to cure an ambiguity in or supplement a provision of the trust documents may be made if it would otherwise require certificateholder consent unless that consent is obtained.

In addition, if holders of certificates representing at least 51% of the voting rights of the related MBS trust give their consent, we may amend the trust documents for that trust for a purpose not listed above, except that we may **not** do any of the following without the consent of all certificateholders of the related issuance of certificates:

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

During a receivership or future conservatorship, FHFA, acting as receiver or conservator, would have authority to repudiate or transfer our guaranty obligations without the consent of the certificateholders or any other party. See **"RISK FACTORS—Fannie Mae Governance Factors."**

Termination

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

Merger

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

Future Limitations on Certificateholder Rights under the Trust Agreement

If we are placed into receivership or if we emerge from the current conservatorship and are placed into conservatorship once again, certificateholders' rights to remove us as trustee or master servicer may be restricted. In addition, if we were again placed into conservatorship, FHFA will have the authority to repudiate or transfer our guaranty obligations as well as our other obligations under the trust documents for each issuance of certificates. If that occurred, certificateholders would have only the right to proceed against Treasury that is described in ***"—Certificateholder Rights Upon a Guarantor Event of Default."*** See also **"RISK FACTORS—Fannie Mae Governance Factors."**

YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Effective Yield

Your yield will depend in part upon whether you purchase a certificate at a discount from or a premium over the outstanding principal. In general, if you purchase a certificate at a discount from its outstanding principal and the mortgage loans are prepaid at a rate that is slower than you expect, your yield on that certificate will be less than you expect. If you purchase a certificate at a premium over the outstanding principal and the mortgage loans are prepaid at a rate that is faster than you expect, your yield on that certificate also will be less than you expect. ***You must make your own decision about the pool or loan level prepayment assumptions you will use in deciding whether to purchase the certificates. We do not provide delinquency experience or decrement tables for the certificates.***

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

Yield of Fixed-Rate Certificates

Certificates backed by fixed-rate mortgage loans bear interest at a fixed rate of interest that remains the same throughout the term of the loans with the exception of the type of loan described below. The effective yield on the certificates may be affected if one or more loans in the pool are prepaid during the term of the certificates.

If the prospectus supplement so provides, a fixed-rate mortgage loan in your pool may permit the borrower to exercise, during a specified period, an option to extend the maturity date of the loan. If a borrower exercises such an option, the then-current fixed rate of interest will change to a different fixed rate of interest throughout the extended term. The trust agreement gives us the option, but not the obligation, to purchase the loan from the pool upon an extension. If we purchase the loan from the pool, the purchase will accelerate the rate of principal payment on your certificates, affecting the yield on your certificates. If the loan remains in the pool, the loan will accrue interest at the new fixed rate during the extended term. The interest passed through during the extended term will be based on the new fixed rate, which may be lower than the original fixed rate, affecting the yield on your certificates. See "**MULTIFAMILY MORTGAGE LOANS — Fixed-Rate Loans**" for further information about these loans.

Yield of Adjustable-Rate Certificates

Certificates backed by adjustable-rate mortgage loans (ARM loans) bear interest at a rate that adjusts and that is calculated on the basis of the changing rates on the loans in the pool. Rates on the loans in the pool adjust based upon changes in the value of a stated index. How the index value is determined and how it changes, along with other features of ARM loans, will affect the yield on the certificates. See **"MULTIFAMILY MORTGAGE LOANS—Adjustable-Rate Loans (ARM Loans)"** for information regarding the different types of ARM loans and the methods for adjusting their interest rates. The adjustment of interest rates on the loans in the pool affects the yield on the certificates. The effective yield on the certificates is the result of the combined effect of some or all of the following factors:

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

interest rate change date on the loans in your pool occurred before the issue date of the certificates.

- ***Mortgage margin.*** On each interest rate change date, the interest rate on each ARM loan in the pool will be adjusted to equal the sum of the mortgage margin and the index value determined as of a date specified in the mortgage note. The result will be rounded according to the rounding convention stated in the mortgage note or, if none is stated, to three decimal points or as otherwise specified in the prospectus supplement. The mortgage margin for each ARM loan is a rate of interest calculated as specified in the related mortgage note.
- ***Index change frequency.*** If the interest rates on the ARM loans in the pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index. A change in the index value will not necessarily cause an immediate change in the pool accrual rate. The pool accrual rate will be affected only as, and to the extent that, loans in the pool experience interest rate changes.
- ***Interest rate change date.*** Because some or all of the ARM loans in the pool may have different rate change dates, the index values upon which the interest rate changes are based may vary among the loans in a pool at any given time.
- ***The lookback period.*** The lookback period for an ARM loan in the pool creates a lag between the index value upon which interest rate changes are based and the index value in effect at the time the interest rate on the ARM loan adjusts. The lookback period, which may vary among the ARM loans in a pool, will be specified in the prospectus supplement.
- ***Interest rate cap and floor.*** Following a change in the index value, interest rate caps and floors may prevent the interest rate on ARM loans in the pool from increasing as high or declining as low as they would have if there had been no interest rate caps or floors. As a result, the yield paid on the certificates usually will be affected whenever ARM loans in the pool are affected by interest rate caps or floors.
- ***Option to convert to fixed-rate loan.*** If the prospectus supplement so provides, an ARM loan may permit the borrower to exercise an option, during a specified period of time, to convert the ARM loan to a fixed-rate mortgage loan. If the borrower chooses that option, the trust agreement gives us the option, but not the obligation, to purchase the ARM loan from the pool. Nevertheless, we will purchase the ARM loan from the pool no later than the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price of the ARM loan will equal the loan's stated principal balance, together with one month's interest at the then-current pool accrual rate. On the distribution date in the month following the month of purchase, we will pass through to certificateholders the stated principal balance of the loan, which will reduce the outstanding principal balance of the related certificates. As a result, the weighted average life of the certificates for a pool of convertible ARM loans may be significantly shorter than the weighted average life of a comparable pool of non-convertible ARM loans.
- ***Option to extend maturity of fixed-rate loan and convert to ARM loan.*** If the prospectus supplement so provides, a loan may permit the borrower to exercise an option to extend the maturity date of the loan for a period of time following the initial maturity date and convert the loan from a fixed-rate loan to an adjustable-rate loan. If the borrower chooses that option, the loan will convert to an ARM loan for the extended term. The existence of the extension option means that a loan may pay off at its maturity date or may pay off at any time during the period following the maturity date. Moreover, if the borrower chooses to extend the term of the loan, and the loan converts from a fixed-rate loan to an ARM loan, we will pass through interest based on the new adjustable rate, which may be lower than the original fixed rate. This change in the interest rate accruing on the loan will affect the yield on your certificates. If a borrower exercises an option to extend a loan, the trust agreement gives us the option, but not the obligation, to purchase the fixed-rate loan from the pool. Nevertheless, if the borrower chooses to extend the maturity date and the loan converts to an ARM loan, our

current policy requires that the loan remain in the pool after the borrower exercises the conversion option.

- ***Prepayments and purchases of loans from pools.*** Pools may contain ARM loans having several different interest rates. Certificateholders will receive a rate of interest equal to the weighted average of the interest rates, net of our fees. (Weighting is based on the then-current unpaid principal balance of each remaining ARM loan in the pool.) Thus, the resulting rate of interest for certificateholders will change whenever an ARM loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases among loans of different interest rates may increase or decrease the effective yield to certificateholders.
- ***Low initial interest rates and certain negative amortization loans.*** In some cases, prevailing market interest rates may be so low that the initial interest rate for an ARM loan in the pool is less than the applicable mortgage margin specified in the mortgage note. Therefore, the interest rate on an ARM loan may not increase to an amount greater than or equal to the applicable mortgage margin until after one or more interest rate changes, depending on the applicable periodic caps. As a result, distributions of interest to certificateholders that are based on the initial interest rate for the ARM loans may be less than the applicable MBS margin (which is the mortgage margin of a loan less the sum of the servicing fee and our guaranty fee on that loan). For certain types of negatively amortizing ARM loans, a low initial interest rate combined with a short initial interest rate period (typically one to three months) may result in significant amounts of deferred interest during the first few years of the loan term. This may occur because the initial monthly payment, which is based upon the low initial interest rate, does not change when the interest rate adjusts up to the fully indexed rate.
- ***Negative amortization.*** If the pool contains ARM loans permitting negative amortization, the yield on the related certificates may be affected in several ways.
  - — *Principal may increase.* When an ARM loan is negatively amortizing, the unpaid principal balance on the loan will be increasing as deferred interest is added to the outstanding principal balance of the loan. The same amount is also added to the outstanding principal balance of the certificates, so that the unpaid principal balance of the certificates equals the aggregate stated principal balance of the mortgage loans.
  - — *Interest paid is affected.* When an ARM loan is negatively amortizing, certificateholders will be paid interest equal to only the portion of the borrower's scheduled payment for the related due period that is allocable to interest. This interest excludes the amount of any deferred interest. As a result, during periods when one or more loans in the pool are negatively amortizing, certificateholders will receive less interest than they would have expected if they were calculating the predicted interest solely on the outstanding certificate balance at the applicable pool accrual rate. Moreover, certificateholders will receive no scheduled principal payments with respect to these loans during periods of negative amortization.
  - — *Effect of periodic reamortization.* Because deferred interest may have been added to the outstanding principal balance of an ARM loan due to negative amortization, the monthly payments of principal and interest on the loan may be insufficient to fully amortize the loan's outstanding principal balance over the remaining amortization period. The mortgage note may provide that, in this case, the outstanding principal balance may be, but is not required to be, reamortized over the then-applicable amortization period. Reamortization is the adjustment of the monthly payment amount to an amount that would be sufficient to pay the then-remaining principal balance of the loan, together with interest at the then-applicable rate, in equal monthly payments over the then-applicable amortization period. If, as is usually the case, the remaining loan term is shorter than the applicable amortization period, the loan will have a balloon payment at maturity. This readjustment of a borrower's monthly payment is made without regard to the caps on

payment adjustments that would otherwise apply. Whenever an ARM loan is reamortized, certificateholders' monthly interest payments will no longer be reduced by deferred interest on the loan, unless another period of negative amortization occurs.

A complete description of ARM loans and their characteristics and of pools containing ARM loans may be found in **"MULTIFAMILY MORTGAGE LOANS—Adjustable-Rate Loans (ARM Loans)."** In addition, the ARM loans described above that permit a borrower to convert the ARM loan to a fixed-rate loan are also discussed in **"MULTIFAMILY MORTGAGE LOANS—Hybrid Fixed/Adjustable-Rate Loans—*Option to Convert to Fixed Rate*."**

Maturity and Prepayment Considerations

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

Amortizing Loans

Many multifamily mortgage loans provide for partial amortization during their terms, with a balloon payment at the maturity date. These loans have monthly payments calculated on the basis of an amortization schedule (typically 25 or 30 years) that is longer than the term (typically 7 to 10 years) of the loan. The remaining principal balance becomes due in a lump sum, or balloon payment, on the loan's contractual maturity date. Only a small portion of the principal amount of the loans will have amortized before the balloon payment on the loan is due.

Some multifamily mortgage loans provide for full amortization of principal over their terms. These loans may include fixed-rate loans as well as ARM loans that are reamortized each time the payment is adjusted. Most payments on these loans are allocated to interest in the early years, with greater portions of the payments allocated to principal as the loans remain outstanding.

Interest-Only Loans

Some multifamily mortgage loans provide for the payment of only interest throughout the term, with a balloon lump sum payment of all principal due on the loan's contractual maturity date. Other loans provide for the payment of only interest for an initial period, after which the payments are increased so that the principal balance of the loan partially or fully amortizes over the remaining term. There is no scheduled amortization of principal during the initial interest-only period. Assuming no prepayments by the borrowers, these loans amortize more slowly than do loans that have the same term and interest rate but that provide for monthly payments of principal and interest from the beginning. In the interest-only period, certificates backed by pools of these loans will pay only interest to certificateholders, except to the extent of borrower prepayments during the period. Borrower prepayments during an interest-only period will be passed through to certificateholders as prepayment of principal on the certificates. This early receipt of principal may affect your yield.

Prepayments

Prepayments of multifamily mortgage loans may occur for a variety of reasons. Some of the most common reasons are discussed in this section. The reasons are not all equally applicable to all pools, as they relate in part to features of the loans that differ among pools. Because of these variables, we do not provide estimates of the future prepayment experience of the loans in our pools. You may wish to refer to our most recent Form 10-K for recent information regarding the prepayment experience of our multifamily mortgage loan portfolio. This prepayment experience is not, however, indicative of any one pool of multifamily mortgage loans, including the pool backing your certificates. If a mortgage loan is prepaid in full for any reason, and if the pool contains only one mortgage loan, as is the case with many multifamily pools, a purchase of the loan will cause the pool to be terminated and the proceeds to be paid to you.

Purchases of Loans from Pools

Under the trust agreement, we have the obligation or, in some instances, the option to purchase from a pool a mortgage loan or real estate acquired as a result of a default ("real estate owned property" or "REO property"). Moreover, under certain conditions, we have the right to require a seller to purchase a mortgage loan from a pool. In each instance, the purchase price will be the stated principal balance of the mortgage loan plus one month's interest at the pass-through rate for a fixed-rate loan or at the pool accrual rate for an ARM loan, as further described in the trust agreement. A purchase of a mortgage loan from the pool will result in payment of principal on the certificates in the same manner as a borrower prepayment except that no share of any prepayment premium is payable in connection with the purchase.

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

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

- we determine that our acquisition of the mortgage loan was not permitted and that a purchase of that mortgage loan is necessary to comply with applicable law;
- a court or a governmental agency requires us to purchase the mortgage loan from the pool to comply with applicable law;
- a governmental unit, agency or court requires
  - — the transfer (other than a transfer to a co-borrower or a transfer permitted under the loan documents or the trust agreement) of the mortgage loan, mortgaged property, defeasance securities (which are securities delivered as substitute collateral upon the defeasance of a loan) or other supplemental collateral (such as cash or letters of credit delivered as additional collateral), including a transfer required as a result of an environmental hazard or as part of a settlement of a legal controversy, or
  - — the full or partial destruction of any improvements located on the mortgaged property if, as a result, the remaining improvements are uninhabitable or unsafe or the value of the mortgaged property no longer provides adequate security for the mortgage loan;
- an insurer or guarantor of the mortgage loan or mortgaged property requires transfer to it of the mortgage loan or REO property to obtain the benefits of the insurance or guaranty; or
- the master servicer or the trustee is advised by counsel (who are not inside counsel and employees of the transferor with respect to the related MBS trust) that removal of the mortgage loan from the trust is necessary or advisable to maintain the status of the trust as a fixed investment trust for federal income tax purposes.

Second, if the mortgage loan is in default with respect to principal and interest payments, we must purchase the delinquent loan on or before the date on which the loan becomes 24 months past due, measured from the date on which the last installment of principal and interest was paid in full, unless one of the following has occurred or is occurring:

- — the borrower is complying with a loss mitigation alternative under which past due payments are required to be paid in full and the mortgage loan is required to be brought current;
- — the borrower and the primary servicer or master servicer are pursuing a preforeclosure sale of the mortgaged property or a deed-in-lieu of foreclosure;
- — the primary servicer or master servicer is pursuing foreclosure of the mortgage loan;

— applicable law (including bankruptcy law, probate law or a relief act) requires that foreclosure on the related mortgaged property or other legal remedy against the borrower or related mortgaged property be delayed and the period for delay has not elapsed;

— the mortgage loan is in the process of being assigned to the mortgage insurer or guarantor that provided any related mortgage insurance; or

— any other event occurs or course of action is taken, as a result of which the extension of the period before the purchase of the mortgage loan from the pool would have no adverse tax consequences to the pool, as evidenced by an opinion of counsel satisfactory in form and substance to the issuer and the trustee to that effect;

The mandatory purchase feature described above under "*Second*" will continue to apply for so long as necessary to comply with the applicable federal income tax regulations.

Third, if any mortgage loan in the pool remains outstanding or any REO property remains in the related MBS trust at the final distribution date of the trust, we must purchase the loan or property on the final distribution date.

Optional Purchases by Issuer. If any of the following events occurs, we have the option, but not the obligation, to purchase or cause to be purchased the affected mortgage loan or REO property from the pool:

- the existence of a material breach of a representation and warranty about the mortgage loan made in connection with the sale of the mortgage loan to us or a material defect in the related mortgage loan documents;
- the failure of the mortgage loan to conform in any material respect to its description in the prospectus supplement or issue supplement;
- a delinquency of at least thirty days with respect to any of the first four consecutive payments (or eight consecutive payments, in the case of a biweekly mortgage loan) following the day on which the mortgage loan was sold to us, regardless of whether the delinquency is continuing at the end of the period (provided, however, that our option to purchase the mortgage loan will be available only for ninety days following the fourth payment due date (or eighth payment due date in the case of a biweekly mortgage loan));
- an assumption of the mortgage loan or a transfer of an interest in the related mortgaged property (or a transfer of an interest in the borrower or a key principal) under circumstances that would trigger acceleration under a due-on-sale provision reasonably believed by either the master servicer or primary servicer to be enforceable under the terms of the mortgage note and the trust agreement;
- an assumption of a mortgage loan that is full recourse to the borrower under circumstances that the master servicer reasonably believes will result in a taxable event under the Internal Revenue Code;
- damage to the related mortgaged property (other than a mortgaged property securing an advance under a structured transaction DUS arrangement) due to a disaster, terrorist attack or other catastrophe that was not caused by the borrower or key principal if the catastrophic event caused the property to suffer a reduction of at least 5% of its value as compared with its value at the time (i) the mortgage loan was originated, (ii) the related mortgaged property was first pledged as collateral for the mortgage loan, or (iii) the mortgage loan was deposited into the related MBS trust;
- a borrower exercises an option under an ARM loan to convert the loan to a fixed-rate loan (provided, however, that we will purchase such a loan from the pool before the effective date of the conversion);
- a borrower exercises a conditional modification option under the related loan (provided, however, that our current policy requires that we purchase the loan from the pool before the effective date of the modification unless (i) the modification results from a transfer or

assumption permitted under the loan documents or the trust agreement, (ii) the prospectus supplement provides otherwise, or (iii) one of the following applies:

  — a borrower exercises an option under a fixed-rate loan to extend the term of the loan and change the interest rate from the then-current fixed rate to a new fixed rate (in which case our current policy permits us to decide at any time before the initial maturity date whether to exercise our option to purchase the loan from the pool); or

  — a borrower exercises an option under a fixed-rate loan to extend the term of the loan and convert the loan from a fixed-rate loan to an ARM loan (in which case our current policy requires that the loan remain in the pool after the conversion option is exercised);)

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

Optional Purchases by Guarantor. In addition, as guarantor we may purchase a mortgage loan or REO property from a pool for any of the following reasons:

- the mortgage loan has been in a state of continuous delinquency, in whole or in part, during the period from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan) and has not been fully cured with respect to any payments required by the related mortgage loan documents (without regard to (i) whether any particular payment was made in whole or in part during the period extending from the earliest through the latest payment date, (ii) any grace or cure period under the related mortgage documents with respect to that last payment date, and (iii) any period during which any loss mitigation alternative is in effect unless the loss mitigation is deemed to have cured the default);
- a court approves a plan that

  — affects any of the following terms of the mortgage loan: its interest rate, its principal balance, the amount or timing of its principal or interest payments, its term or its last scheduled payment date, or

  — authorizes the transfer or substitution of all or part of the related mortgaged property, defeasance securities or supplemental collateral;

- compliance with applicable laws (including a relief act) requires a change in any of the terms of the mortgage loan (including a change in the interest rate, its principal balance, its amortization schedule, the timing of its principal or interest payments or its last scheduled payment date);
- the mortgaged property is acquired by the related MBS trust as REO property; or
- the mortgage loan has ceased to be secured by assets of the type contemplated by the related mortgage documents.

Purchases for Loan Modifications. We allow lenders to purchase and modify certain non-performing loans under terms specified in our trust agreement and in our servicing policies and procedures. The trust agreement permits servicers that are servicing our performing loans to modify loans while the loans are in our pools so long as the modification is made in accordance with the trust agreement and with our prior consent. For pools containing multifamily mortgage loans insured by the Federal Housing Administration, or FHA, or guaranteed by the U.S. Department of Agriculture, or USDA, through its Rural Rental Housing Guaranteed Loan Program, however, FHA or USDA may require that loans be modified as a part of the respective entity's loss mitigation strategy. Before any

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

Servicing Policies and Practices for Delinquent Loans

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

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

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

In a loan modification, Fannie Mae and the borrower enter into an agreement that revises the original terms of the mortgage loan (for example, to reduce the interest rate on the loan, to reduce the monthly payments on the loan, to capitalize past due amounts as part of the principal balance, or to extend the maturity of the loan.) A loan subject to such a modification because the loan is in payment default or because Fannie Mae or the primary servicer has determined that a payment default is reasonably foreseeable will remain in the pool after modification unless it is later removed for one of the reasons specified in "*—Purchases of Loans from Pools*" above. For so long as a loan subject to such modification remains in the pool, the modification will not affect the timing of payment of principal and interest to certificateholders.

If it appears that none of the loss mitigation measures will be appropriate to the borrower's circumstances and provide a reasonable chance of the borrower becoming or remaining current, we may permit a short sale of the mortgaged property, agree to accelerate maturity and accept less than the outstanding unpaid principal balance of the mortgage loan ("short payoff"), accept a deed-in-lieu of foreclosure, or foreclose on the mortgaged property. With a short sale or short payoff, the full principal amount of the loan would be due, but we would accept less than the outstanding unpaid

principal balance of the mortgage loan from sale or refinancing proceeds received by the borrower. If we accept a short sale or short payoff by the borrower, we would pass through to certificateholders the stated principal balance of the mortgage loan after the payoff (even if the stated principal balance is more than the payoff proceeds we receive). If we accept a deed-in-lieu of foreclosure or foreclose on the mortgaged property, the REO property is typically purchased from the related pool within 60 days after the date we accepted the deed-in-lieu or the date of the foreclosure sale. In those cases, the stated principal balance of the mortgage loan is passed through to certificateholders upon the purchase date. A defaulted loan or the REO property must be purchased from a pool no later than 24 months following the date the loan became past due.

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

Borrower Refinancings

Generally, when current interest rates decline below the interest rates on existing loans, prepayments will increase. In a declining interest rate environment, borrowers often refinance their mortgage loans. When a borrower refinances a loan in a pool, the proceeds from the borrower's new loan pay off the loan in the pool. This results in a prepayment for the certificateholders. It is difficult to predict how far interest rates must decline before significant prepayments occur. The general solicitation of borrowers by lenders (including our mortgage servicers) for refinancing may increase the frequency with which borrowers seek to refinance their mortgage loans. However, due to uncertain financial market conditions, it is difficult to predict whether borrowers will be able to obtain financing to refinance their loans even if they want to do so. Moreover, the requirement found in many multifamily mortgage loans that the borrower pay a prepayment premium if a loan is prepaid may lessen the effect of declining interest rates and detract from the attractiveness of refinancing.

It is a common practice in the State of New York and a frequent practice in a few other states to modify existing mortgage loans in lieu of a traditional refinance where the previous mortgage is extinguished and a new mortgage is created. We treat these modifications as refinancings, resulting in prepayment of principal to certificateholders.

Assumptions of Recourse Loans and Transfers of Interests in Borrowers with Recourse

Many multifamily loans permit a loan to be assumed by or transferred to a new borrower that is approved by the lender. Mortgage loans that provide for recourse to the borrower, however, may be assumed by or transferred to a new borrower under only limited circumstances (estate planning, short-term leases, and similar events). Thus, if a mortgage loan in your pool is recourse to the borrower, and the borrower decides to sell the related mortgaged property, the borrower may be required to pay the loan in full, along with any required prepayment premium.

Sales of Mortgaged Properties

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

Most multifamily mortgage loans provide that the lender can require payment in full if the borrower sells or transfers either the related mortgaged property or ownership interests in the

borrower without the consent of the lender. Loans that are non-recourse to the borrower are generally permitted to be assumed by a new borrower, or ownership interests are permitted to be transferred to a transferee, when the new borrower/transferee meets our then-current standards of creditworthiness and management ability. If the loan is being assumed, the new borrower/transferee generally is required to execute an assumption agreement. A transfer fee and/or an assumption fee is generally required for both transfers and assumptions. If we receive any transfer fee and/or assumption fee in connection with an assumption or a transfer, no portion of the fee will be shared with certificateholders. See "***—Prepayments—****Purchases of Loans from Pools.*"

Other Voluntary and Involuntary Prepayments; Reamortization

Prepayments or other early receipt of principal of the loans contained in your pool may affect, in some cases significantly, the effective yield on your certificates. We cannot predict whether and to what extent any loan or any certificates actually will experience early prepayment of principal.

Voluntary Prepayment by Borrower; Possible Reamortization. Some multifamily mortgage loans permit voluntary prepayments in full at any time and others permit voluntary prepayments in full only after expiration of a "lockout" period. Many multifamily loans require the borrower to pay a prepayment premium if a loan is prepaid during a stated portion of its term (the "prepayment premium period"). The prospectus supplement will disclose any lockout period and prepayment premium period. See "*—Prepayment Premiums*" for a further discussion of prepayment premiums.

Some multifamily mortgage loans, including standard DUS loans, prohibit voluntary partial prepayments at all times while other loans, including Structured Transaction DUS loans, generally permit voluntary partial prepayments under certain circumstances. When a partial prepayment is applied against the unpaid principal balance, some loans may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. Reamortization is the adjustment of the monthly payment amount to an amount that would be sufficient to pay the then-remaining principal balance of the loan, together with interest at the then-applicable rate, in equal monthly payments over the then-applicable amortization term. If, as is generally the case, the remaining loan term is shorter than the applicable amortization term, the loan will have a balloon payment at maturity. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield. The prospectus supplement will identify any loans that permit or require reamortization. See "**RISK FACTORS—Yield and Prepayment Factors**—*Other Prepayments*—***If any mortgage loans in your pool permit reamortization of principal after a partial prepayment of principal, monthly distributions on your certificates will be reduced***."

Proceeds of Casualty or Condemnation; Possible Reamortization. A multifamily mortgage loan may experience an involuntary prepayment, which is the early receipt of all or a portion of the principal of a loan other than as a result of a voluntary prepayment by the borrower or a default on the loan. Many multifamily mortgage notes provide that the borrower is not required to pay a prepayment premium if an involuntary prepayment results from receipt of casualty insurance proceeds or a condemnation award affecting the related mortgaged property. Unless the prospectus supplement otherwise provides, if we collect a prepayment premium as the result of an involuntary prepayment due to casualty or condemnation, we will not pass through any share of the premium to certificateholders.

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

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

When condemnation or casualty insurance proceeds are applied against the unpaid principal balance, some loans may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. Reamortization is the adjustment of the monthly payment amount to an amount sufficient to pay the then-remaining principal balance of the loan, together with interest at the then-applicable rate, in equal monthly payments for the remaining term of the loan. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield. The prospectus supplement will identify any loans that permit or require reamortization. See "**RISK FACTORS—Yield and Prepayment Factors**—*Other Prepayments*—***If any mortgage loans in your pool permit reamortization of principal after a partial prepayment of principal, monthly distributions on your certificates will be reduced***."

Default; No Reamortization. A multifamily mortgage loan may be prepaid as the result of a default on the loan. If we purchase a defaulted loan as permitted or required by the trust agreement, or if the related mortgaged property is sold, or if we purchase REO property from an MBS trust after the REO property was acquired in satisfaction of the defaulted loan, the unpaid principal balance of the loan will be passed through to certificateholders. See "—*Servicing Policies and Practices for Delinquent Loans*" above. In the case of many defaulted loans, although we are entitled under the loan documents to receive a prepayment premium from the borrower, we are generally unable to collect it. Even if we collect a prepayment premium after a default, we will not pay any portion of the premium to certificateholders.

If a loan is in default and the default interest paid by the borrower is found to be usurious, any portion of the default interest paid in excess of the permitted amount will be applied to reduce the unpaid principal balance of the loan. Applying the excess interest to reduce the principal of the loan will result in a partial prepayment of principal of the certificates that would be passed through to certificateholders, affecting your yield. No reamortization of principal will be permitted. Any such partial prepayment of principal resulting from the application of excess interest is an involuntary prepayment. No prepayment premium will be payable as the result of an involuntary prepayment due to the application of excess interest.

Proceeds from Other Collateral; Possible Reamortization. A mortgage loan may also be prepaid from the proceeds of other collateral. Borrowers are sometimes required to enter into an agreement providing that the mortgaged property will reach a specified occupancy by a certain date or that certain improvements or repairs will be completed by a certain date. These obligations may be secured by a letter of credit or similar collateral. If the required condition is not satisfied by the specified date, we may use the proceeds of the collateral to pay down the unpaid principal balance and pay any required prepayment premium. In that case, the proceeds of the collateral will be passed through to certificateholders as a prepayment of principal along with the certificateholders' share, if any, of any prepayment premiums that we actually collect.

When proceeds from other collateral are applied against the unpaid principal balance, some loans may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield. The prospectus supplement will identify any loans that permit or require reamortization. See "**RISK FACTORS—Yield and Prepayment Factors**—*Other Prepayments*—

***If any mortgage loans in your pool permit reamortization of principal after a partial prepayment of principal, monthly distributions on your certificates will be reduced*.”

Prepayment Premiums

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

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

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

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

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

Existing and Future Additional Mortgage Liens

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

Existing Mortgage Liens. A loan in your pool may be secured by a mortgaged property already securing a senior lien or subordinate lien mortgage loan. If the prospectus supplement for your pool identifies any existing senior or subordinate mortgage loans already secured by the mortgaged property, we will disclose a combined underwritten debt service coverage ratio and

underwritten loan-to-value ratio for the purchased mortgage loan and, if the information is available, any identified existing mortgage loan. If we determine that the existing subordinate financing is "soft" financing that is provided by a government agency or organization to promote affordable housing and that is not expected to have any material effect on the property's cash flow, we generally do not include the terms of the financing in calculating these ratios. See **"MULTIFAMILY MORTGAGE LOANS—Special Feature Mortgage Loans—*Affordable Housing Loans and Low-Income Housing Tax Credit Loans*"** for a more detailed discussion of soft financing. Because multifamily mortgage loan documents would typically provide that the loan in your pool is cross-defaulted with the existing loan, a default under an existing loan may also cause a default under the loan in your pool. See "—*Cross-Default and Cross-Collateralization Provisions*" below for further discussion about the result of cross-defaults.

Future Mortgage Liens. A subordinate lien mortgage loan may be made after the issue date of the certificates and may be secured by a mortgaged property already securing a loan in your pool. Before the subordinate loan may be made, we require the lender to determine that the combined underwritten debt service coverage ratio of the new subordinate loan and the existing loan in the pool reflects net operating income sufficient to support both loans. Because multifamily mortgage loan documents typically provide that all loans secured by the same mortgaged property are cross-defaulted, a default under a future subordinate mortgage loan may also cause a default under the loan in your pool. See "—*Cross-Default and Cross-Collateralization Provisions*" below for further discussion about the result of cross-defaults.

Cross-Default and Cross-Collateralization Provisions

Your pool may contain a multifamily mortgage loan that is cross-defaulted or cross-defaulted/cross-collateralized with one or more other mortgage loans. Mortgage loans can be crossed when they have either a common borrower or different borrowers that are owned by a common entity. In some cases, crossed mortgage loans are held in the same pool while in other cases crossed loans may be held in different pools or one of them may be owned by us. The prospectus supplement will specify if a loan in your pool is cross-defaulted and/or cross-collateralized with another loan and, if applicable, will describe any criteria to be satisfied before a loan may be released from the cross-default and/or cross-collateralization.

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

A mortgage loan in your pool may be not only cross-defaulted but also cross-collateralized with another mortgage loan. Cross-collateralization provisions expand the collateral available for repayment of one loan to include not only the related mortgaged property but also the crossed mortgaged property. As a result, whether or not the other loan is included in your pool, the mortgaged property securing the loan in your pool also secures the other loan, and the other property secures the mortgage loan in your pool. Your pool may also contain a loan that may be cross-defaulted or cross-defaulted/cross-collateralized with a mortgage loan to be made in the future. If so, the prospectus supplement will identify or describe the future loan.

An event of default may occur under a mortgage loan that is cross-defaulted/cross-collateralized with a mortgage loan in your pool. The event of default may trigger an event of default under the loan in your pool, which would entitle us to declare the loan in your pool immediately due and payable. The event of default under the other loan may also may entitle the holder of the other loan to foreclose on and sell not only the other mortgaged property but also the mortgaged property securing the loan in your pool. If the loan in your pool defaults and payment of the unpaid principal balance is accelerated, or if the related mortgaged property is sold to satisfy the obligations under the loan or the other loan, you will receive a prepayment of principal from the loan in your pool.

Assumptions of Non-Recourse Multifamily Loans and Transfers of Interests in Borrowers—Non-Recourse Loans

Most multifamily mortgage loans provide that the lender can require payment in full if the borrower sells or transfers either the related mortgaged property or ownership interests in the borrower without the consent of the lender. Loans that are non-recourse to the borrower are generally permitted to be assumed by a new borrower, or ownership interests are permitted to be transferred to a transferee, when the new borrower/transferee meets our then-current standards of creditworthiness and management ability. If the loan is being assumed, the new borrower/transferee generally is required to execute an assumption agreement. A transfer fee and/or an assumption fee is generally required for both transfers and assumptions. If we receive any transfer fee and/or assumption fee in connection with an assumption or a transfer, no portion of the fee will be shared with certificateholders. See "***—Prepayments—****Purchases of Loans from Pools.*"

Mortgage Loan Substitution

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

- the mortgage loan fails to conform in any material respect to its description in the prospectus supplement or issue supplement;
- the master servicer or the trustee is advised by counsel (who are not inside counsel and employees of the transferor with respect to the related MBS trust) that removal of the mortgage loan from the trust is necessary or advisable to maintain the status of the trust as a fixed investment trust for federal income tax purposes;
- we determine that our acquisition of the mortgage loan was not permitted and that a purchase of the mortgage loan is necessary to comply with applicable law;
- a court or a governmental agency requires us to purchase the mortgage loan from the pool to comply with applicable law;
- a governmental unit, agency or court requires
  - — the transfer (other than a transfer to a co-borrower or a transfer permitted under the loan documents or the trust agreement) of the mortgage loan, mortgaged property, defeasance securities (which are securities delivered as substitute collateral upon the defeasance of a loan) or other supplemental collateral (such as cash or letters of credit delivered as additional collateral), including a transfer required as a result of an environmental hazard or as part of a settlement of a legal controversy, or
  - — the full or partial destruction of any improvements located on the mortgaged property if, as a result, the remaining improvements are uninhabitable or unsafe or the value of the mortgaged property no longer provides adequate security for the mortgage loan;
- there is a material breach of a representation and warranty about the mortgage loan made in connection with the sale of the mortgage loan to us or a material defect in the related mortgage loan documents;
- the loan is delinquent at least 30 days with respect to any of the first four consecutive payments (or eight consecutive payments, in the case of a biweekly mortgage loan) following the day on which the mortgage loan was sold to us, regardless of whether the delinquency is continuing at the end of the period (provided, however, that our option to purchase the mortgage loan will be available only for ninety days following the fourth payment due date) (or eighth payment due date if the loan is a biweekly mortgage loan); or
- the mortgage loan has been in a state of continuous delinquency, in whole or in part, during the period from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan) and has not been fully cured with respect to any payments required by the related mortgage loan documents

(without regard to (i) whether any particular payment was made in whole or in part during the period extending from the earliest through the latest payment date, (ii) any grace or cure period under the related mortgage documents with respect to that last payment date, and (iii) any period during which any loss mitigation alternative is in effect unless the loss mitigation is deemed to have cured the default);

The substitution of another mortgage loan for the withdrawn mortgage loan must take place within the same due period in which the withdrawal occurs and (a) if the withdrawal is caused by an event described in the first two bulleted paragraphs above, within 90 days after the issue date of the related certificates, or (b) if the withdrawal is caused by an event described in the remaining six bulleted paragraphs above, within two years after the issue date of the related certificates.

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

- the substitute loan is not delinquent as to any payment;
- the substitute loan's outstanding principal balance does not exceed the stated principal balance of the withdrawn loan at the time of the withdrawal;
- a mortgaged property securing the substitute loan is located in the same state or U.S. territory or in a comparable rental market as a mortgaged property securing the withdrawn loan;
- if the withdrawn loan has a fixed rate of interest, the substitute loan has a fixed rate of interest that is not less than the interest rate of the withdrawn loan;
- if the withdrawn loan is an ARM loan, the substitute loan is an ARM loan with (1) the same or a similar adjustment index, (2) the same frequency of adjustments, and (3) margin and payment and interest rate caps that are each within 1% of those of the withdrawn loan;
- if the withdrawn loan is a negative amortization loan, the substitute loan is a negative amortization loan;
- the last scheduled payment date of the substitute loan is no later than, and no more than two years earlier than, the last scheduled payment date of the withdrawn loan;
- if the withdrawn loan is a participation interest in a loan, the substitute loan is a participation interest in a loan; and
- if the withdrawn loan is a government mortgage loan, the substitute loan is a government mortgage loan under the same governmental program with the same type of insurance or guaranty.

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

Defeasance

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

prepayment premium, during the period, if any, remaining after expiration of the defeasance period and before the loan maturity date.

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

Before a defeasance loan has been defeased, it may be involuntarily prepaid in the same manner as non-defeasance loans. See ***"—Prepayments—**Other Voluntary and Involuntary Prepayments*—***Proceeds of Casualty or Condemnation; Possible Reamortization."*** If any involuntary prepayments are made, they will be passed through to certificateholders as full or partial early prepayments of principal. After a defeasance loan has been defeased, no involuntary prepayments will be made because (i) the loan is no longer secured by real property subject to casualty or condemnation, and (ii) the substitute collateral funds the remaining principal and interest payments for the loan. When a defeasance loan is defeased, we will disclose that information on our Web site.

MULTIFAMILY MORTGAGE LOAN POOLS

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

Pool Disclosure Documents

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

At-issuance disclosure documents contain the most current information available to us as of the issue date of the certificates, unless the prospectus supplement provides for a different date. After

certificates are issued, the related at-issuance disclosure documents may be corrected during the applicable offering period and posted on the Multifamily Securities Locator Servicer site on our Web site. After the offering period, we provide corrected information through our Multifamily Securities Locator Service, but we do not revise the at-issuance offering documents to provide any updated information.

Pool Prefixes

We assign a separate pool number to each mortgage loan pool and the related issuance of certificates. We also assign a two-character prefix that identifies the type of multifamily loans in that pool and the basic terms of the certificates. The type of information reflected by the prefix includes whether the underlying multifamily loans are conventional or insured or guaranteed by the government, whether the loans bear interest at a fixed rate or an adjustable rate, whether the certificates and the underlying multifamily loans calculate interest on a 30/360 basis, an actual/360 basis or some other basis, the length of the loan terms, and whether the loans are fully amortizing or have a balloon payment at maturity. No pool will contain both fixed-rate and adjustable-rate loans.

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

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

Monthly Pool Factor and Other Updated Information

We update certain information about pools (other than pools backed by loans purchased under our DUS Structured Transaction business line) on an ongoing monthly basis. The specific information that is updated may vary among different pools. The updated information is available through our Multifamily Securities Locator Service on our Web site. Certificateholders should note that, unless otherwise stated in this prospectus or a prospectus supplement, information on our Web site is ***not*** incorporated by reference into this prospectus or any prospectus supplement.

On or about the fourth business day of each month, we will publish the current monthly pool factor for each issuance of certificates that remains outstanding. If you multiply the monthly pool factor by the original unpaid principal balance of your certificates, you will obtain the current principal balance of your certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. These monthly pool factors are made available each month on our Web site and in various financial publications. We also provide ongoing information for some characteristics of certain pools and certain loans through our Multifamily Securities Locator Service.

Pool Statistics

The Pool Statistics page discloses the prefix, pool number and CUSIP number of the pool, the issue date of the certificates, the principal balance of the pool on the issue date, the pass-through rate for the pool and the distribution date for the pool. In addition, we will disclose certain characteristics of the underlying mortgage loans in the pool. Although the characteristics included in the pool statistics for any particular pool may vary, the pool statistics generally include the characteristics listed in **Exhibit B** to this prospectus. In addition, some of the characteristics are applicable only to multifamily ARM loans. Certificateholders should determine for themselves how to use the pool statistics.

MULTIFAMILY MORTGAGE LOANS

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

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

Age of Multifamily Mortgage Loans at Time of Pooling

Multifamily loans in our pools may be newly originated, which means they were originated 12 months or less before pooling, or they may be seasoned, meaning they were originated more than 12 months before pooling. In addition, multifamily loans may be deposited into a pool shortly after we acquired them or may have been held in our portfolio for some period of time. Investors may consult the Pool Statistics page and the Multifamily Schedule of Loan Information for further information about the age of the mortgage loans in their pools.

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

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

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

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

Before issuing an issuance of certificates, we review the mortgage loan schedule for that issuance and later may, from time to time, conduct random spot checks to confirm that the related documents are held by the custodian. We may also file a Uniform Commercial Code financing statement or UCC-1 against any seller that has sold us mortgage loans under a contract in which the seller

assumes any recourse or loss sharing on the mortgage loans. In the event of a bankruptcy or receivership of a seller, a court could determine that the mortgage loans were not sold to us but were pledged to us to secure a financing. Courts may also deny our standing to enforce delinquent mortgages if we cannot adequately prove our ownership. If as a result of any such determination mortgage loan payments were inadequate to cover the amounts due to certificateholders, we would make payments to the trust under our guaranty in an amount required to pay certificateholders what they are due. See "**RISK FACTORS—Credit Factors—***Seller Credit Factors.*"

Conventional and Government Mortgage Loans

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

Both conventional loans and government loans can bear interest at either a fixed rate or an adjustable rate. The loans may have different methods for calculating interest and repaying principal, varying loan terms and restrictions and other features.

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

Fixed-Rate Loans

Fixed-rate mortgage loans bear interest at rates that are fixed at origination and remain constant until the maturity date (or the initial maturity date in the case of a loan with an option to extend the maturity date). Each fixed-rate loan type is described below. A fixed-rate pool will contain mortgage loans of only one type. The prospectus supplement will identify the type of loans included in the pool.

- ***Partially amortizing equal payment loans with balloon payments***—Each scheduled monthly payment of principal and interest, except the final payment, is in the same amount. The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment.
- ***Interest-only initially to partially amortizing equal payment loans with balloon payments***—During an initial period of time, no scheduled principal payment is due on the loan, and the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. Consequently, during this initial period, payments on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the mortgage interest rate and to partially amortize the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term). The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment. After the end of the interest-only period, distributions on the certificates related to the new monthly payment will include scheduled and unscheduled principal and monthly interest at the fixed MBS pass-through rate.

- ***Interest-only equal payment loans with balloon payments***—No scheduled principal payments are due on the loan during its term, and the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. As a result, during the term of the loan, payments on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. The final scheduled payment at maturity is a lump sum or balloon payment of all outstanding principal plus all accrued and unpaid interest.
- ***Fully amortizing equal payment loans***—Each scheduled monthly payment of principal and interest is in the same amount and fully amortizes the principal of the loan over its term. The term is usually 25 or 30 years.
- ***Interest-only initially to fully amortizing equal payment loans***—During the initial interest-only period, the payments will be made as described above in ***"—Interest-only initially to partially amortizing equal payment loans with balloon payments."*** On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the mortgage interest rate and to fully amortize the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. After the end of the interest-only period, distributions on the certificates related to the new monthly payment will include scheduled and unscheduled principal and monthly interest at the fixed pass-through rate.
- ***Fixed-rate loans with an option to extend the maturity date and set a new fixed rate of interest***—The loan may be any of the fixed-rate balloon loans described above with corresponding monthly payments. Before the maturity date, pursuant to the terms of the related mortgage documents, the borrower may exercise an option to extend the maturity date of the loan and set a new fixed rate of interest that will apply during the extended term. During the extended term, the monthly payments on the loan will consist of principal and interest at the new fixed rate. During the extended term, distributions on the certificates will include scheduled and unscheduled principal and monthly interest at the new fixed pass-through rate.

See **"—Hybrid Fixed/Adjustable-Rate Loans—*Option to Extend Term of Loan*"** for a description of fixed-rate loans that may convert to ARM loans.

Adjustable-Rate Loans (ARM Loans)

Adjustable-rate pools consist entirely of one or more ARM loans that bear interest at rates that adjust periodically in response to changes in an index. Some of the frequently used indices are described under ***"—ARM Indices."*** We will calculate interest for each adjustable-rate pool at a monthly rate, which we call the "pool accrual rate." The pool accrual rate is equal to the weighted average of the mortgage interest rates (net of the sum of our servicing fee and our guaranty fee) for each ARM loan in that pool. Therefore, the pool accrual rate is not a fixed pass-through rate and generally will vary from month to month as ARM loans adjust, amortize or prepay. We refer to the sum of the servicing fee and our guaranty fee as the "fee percentage." We refer to the difference between the ARM loan's mortgage margin (a percentage specified in a mortgage note) and the fee percentage as the "MBS margin." The following illustrates the methods for determining pool accrual rate, fee percentage and mortgage margin:

Pool Accrual Rate	=	Weighted Average of (Mortgage Interest Rate*	−	Fee Percentage*)
Fee Percentage*	=	Servicing Fee*	+	Guaranty Fee*
MBS Margin*	=	Mortgage Margin*	−	Fee Percentage*

* For each ARM loan in the pool.

ARM loans may have an initial fixed interest rate period during which the interest for the loans accrues at a fixed rate that is not based upon an index or the loan's mortgage margin. Beginning on the first interest rate change date for each of the ARM loans in a pool, the interest on the loan will accrue at a rate equal to the index value plus the mortgage margin (subject to rounding and to interest rate caps and floors). The first interest rate change date for the ARM loans in your pool may have occurred before the issue date of the certificates.

In some adjustable-rate pools, the mortgage margin may be 0%. Because we usually charge a fee percentage, where the mortgage margin is 0% the MBS margin will be expressed as a negative value MBS margin in the pool statistics. However, the pool accrual rate for adjustable-rate pools containing ARM loans of this type will still be equal to the weighted average of the mortgage interest rate (net of the fee percentage) for each loan in the pool.

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

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

We will provide information about the MBS margin for your pool on the Pool Statistics page. Each month we make available updated MBS margin information for each pool on our Web site and in various financial publications. See **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Yield of Adjustable-Rate Certificates"** for a further discussion of ARM loans and the effect of interest rate and payment changes on the yield on your certificates.

Types of ARM Loans

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

- *Partially amortizing ARM loans with balloon payments*—The interest rate adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount will change to an amount necessary to pay interest at the then applicable interest rate and to pay principal in an amount that partially amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then current interest rate. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term.) The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment.
- *Interest-only initially to partially amortizing ARM loans with balloon payments*—The interest rate adjusts periodically during the term of the loan. During an initial period of time, the interest rate is fixed and no scheduled principal payment is due on the loan. During this time, the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due at the then-applicable interest rate. As a result, during this initial period, payments on certificates backed by pools of mortgage loans of this type will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the then applicable interest rate and to pay principal in an amount that partially amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then current interest rate. (The amount of principal amortized each month is equal to the

principal that would be amortized over an amortization period that is longer than the loan term.) The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment. After the end of the interest-only period, the new monthly payments include scheduled principal as well as unscheduled principal and monthly interest at the pool accrual rate then in effect.

- *Interest-only ARM loans with balloon payments*—No scheduled principal payments are due on the loan during its term. The interest rate on the loan will adjust periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount will change to an amount necessary to pay only the monthly interest due at the then applicable interest rate. As a result, during the term of the loan, payments on certificates backed by pools of mortgage loans of this type will consist only of interest and unscheduled principal from partial or full prepayment on the mortgage loans. The final scheduled payment at maturity is a lump sum or balloon payment of all outstanding principal plus all accrued and unpaid interest.
- *Interest-only initially to fully amortizing ARM loans*—The interest rate adjusts periodically during the term of the loan. During the interest-only period, payments will be made as described above in *"—Interest-only initially to partially amortizing ARM loans with balloon payments."* On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the then applicable interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then current interest rate. After the end of the initial interest-only period, the new monthly payments include scheduled principal as well as unscheduled principal and monthly interest at the pool accrual rate then in effect.
- *Fully amortizing ARM loans*—The interest rate adjusts periodically during the term of the loan to a rate based on the index and mortgage margin specified in the mortgage note. Each time the rate is adjusted, the monthly payment amount will change to an amount necessary to pay interest at the then applicable interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the then current interest rate.
- *Deferred interest/negative amortization ARM loans*—As with ARM loans that do not permit negative amortization, the interest rate and payment amount adjust periodically during the term of the loan. These ARM loans, however, have either or both (i) an adjustment schedule in which the payment amounts are adjusted less frequently than the interest rate or (ii) a payment cap that limits the amount by which the payment can increase as a result of an interest rate increase. This feature creates the possibility that after an interest rate change, the monthly payment on the ARM loan will be insufficient to cover the accrued interest. Whenever that occurs, the portion of interest that is not included in the payment amount will be added to the loan's principal balance. This addition to principal is referred to as negative amortization. Interest will then accrue on the new higher mortgage balance.

See **"—Hybrid Fixed/Adjustable-Rate Loans—*Option to Convert to Fixed Rate*"** for a description of ARM loans that may convert to fixed-rate loans.

How ARM Loans Work

- *Initial fixed-rate period.* For an initial period, interest on most ARM loans accrues at a fixed rate, which may or may not be based on the index value in effect at the time of the loan's origination. The prospectus supplement will specify (i) the initial interest rate if the loan has not yet had an interest rate change, or the current interest rate if the loan has had an interest rate change, (ii) the length of time from loan origination to the first interest rate change date for each loan in the pool that has not yet had an interest rate change and (iii) the frequency of interest rate changes.

- *Calculation of the adjustable interest rate.* After the initial fixed-rate period, if any, the interest rate on an ARM loan is adjusted at regular intervals specified in the mortgage note. On each interest rate change date, the interest rate is adjusted to equal the sum of the index value most recently available as of a date specified in the mortgage note plus the mortgage margin. Except as otherwise specified in the prospectus supplement, the result is rounded according to the rounding convention stated in the mortgage note or, if none is stated, to three decimal points. The index value to be used will be the latest index value available as of the date that precedes the interest rate change date by the lookback period. The lookback period is the number of days specified in the related mortgage note that fall between the interest rate change date and the earlier date. The prospectus supplement will specify the lookback period for each ARM loan.

- *Interest rate caps and floor; payment change and payment caps.* Many ARM loans contain periodic interest rate caps and floors, which limit the amount by which the interest rate can increase or decrease on each interest rate change date. Many ARM loans also include a lifetime interest rate cap (the interest rate on the loan may never exceed the lifetime interest rate cap, regardless of the applicable index value) and a lifetime interest rate floor (the interest rate may never be below the lifetime interest rate floor, regardless of the applicable index value). If no lifetime interest rate floor is specified, we treat the related mortgage margin as the floor. The prospectus supplement will specify any periodic interest rate caps and floors that apply to the initial rate change and to each interest rate change and will also describe any lifetime interest rate caps and lifetime interest rate floors. Unless the prospectus supplement states otherwise: (i) all payment adjustments on ARM loans will be effective in the month after each interest rate change and (ii) no payment caps limiting the amount by which the payment can increase or decrease will apply to the ARM loans in the pool. However, it should be noted that the payment adjustment reflected in the borrower's scheduled monthly payment in the month in which the certificates were issued will be based on the latest interest rate adjustment that took place before the month in which the certificates were issued.

- *Rate changes upon assumption of an ARM loan.* If a mortgaged property securing an ARM loan is sold, many ARM loans permit the new purchaser of the mortgaged property to assume the loan, provided that the purchaser is reasonably satisfactory to the lender. Some ARM loans permit assumption of the loans at any time during their terms while other ARM loans require the expiration of either a prescribed length of time or an initial period of time during which the loans are accruing interest at fixed rates. For additional information about the rules that apply in this circumstance, see **"YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Prepayments—***Assumptions of Recourse Loans and Transfers of Interest in Borrowers with Recourse***."**. In some cases, the maximum and minimum interest rates, and the maximum and minimum payment caps and/or the lifetime interest rate caps may be reset at the time of assumption to reflect then-prevailing market interest rates. If an adjustable-rate pool includes an ARM loan that provides for resets of any of these features at the time the loan is assumed, we will purchase the ARM loan from the pool before the effective date of the reset.

- *Effective Date of Payment Change.* Unless the prospectus supplement states otherwise, all payment changes on ARM loans will be effective in the month after each interest rate change date.

- *Negative amortization.* If so specified in the prospectus supplement, an adjustable-rate pool may contain ARM loans that permit negative amortization.

    — *Payment change frequency and payment caps for negative amortization loans.* If an ARM loan permits negative amortization, at times the monthly payment may be insufficient to pay all of the interest that has accrued during the month. This usually occurs when payments do not change as frequently as the interest rate changes or when a payment cap applies. Payment caps and floors may limit the amount by which the

borrower's payment can increase or decrease with each interest rate change. If a payment cap or floor applies, the prospectus supplement will so state. In either case, when this happens, the amount by which the payment is insufficient to pay the interest due is deferred and added to the principal balance of the mortgage loan. Interest then accrues on the new, higher mortgage loan balance.

— *Periodic reamortization for negative amortization loans.* Some ARM loans that permit negative amortization provide for a periodic full reamortization of principal. Some loans may also provide for reamortization between the planned reamortization dates where the addition of deferred interest to principal would cause the then-current principal balance of the loan to exceed a specified trigger amount over the original principal balance. The resulting monthly payment amount is calculated without regard to the caps on payment changes that would otherwise apply. If a loan permits negative amortization, the prospectus supplement will indicate the dates for scheduled reamortizations and the trigger level for unscheduled reamortizations.

ARM Indices

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

- *WSJ LIBOR Indices:* The average of the London Interbank Offered Rates for one-month (One-Month WSJ LIBOR), three-month (Three-Month WSJ LIBOR), six-month (Six-Month WSJ LIBOR) and one-year (One-Year WSJ LIBOR) U.S. Dollar-denominated deposits, as fixed on each index determination date by the British Bankers Association and reported by Reuters (formerly Telerate) through electronic transmission.
- *U.S. Treasury Indices:* The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year (One-Year Treasury Index), three years (Three-Year Treasury Index), five years (Five-Year Treasury Index) and ten years (Ten-Year Treasury Index), in each case as made available by the Federal Reserve Board. These indices are sometimes referred to as the constant maturity Treasury or "CMT" indices.(1)
- *COFI Index:* The 11th district monthly weighted average cost of funds index of the Federal Home Loan Bank of San Francisco, as made available by the Bank (COFI Index).(2)

Hybrid Fixed/Adjustable-Rate Loans

Hybrid pools, which are considered adjustable-rate pools for purposes of pool prefixes, consist entirely of one or more mortgage loans that have one of the following options:

Option to Convert to Fixed Rate

Some ARM loans permit a borrower to exercise an option, during the period specified in the mortgage loan documents, to convert the loan to a fixed-rate loan for the remainder of its term.

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

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

During the adjustable-rate term of the loan, certificateholders will receive interest as described in **"—Adjustable-Rate Loans (ARM Loans)."** If a borrower decides to convert an ARM loan to a fixed-rate loan, the trust agreement gives us the right, but not the obligation, to purchase the loan from the pool. Nevertheless, we will purchase such a loan no later than the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price will equal the ARM loan's stated principal balance, together with one month's interest at its then-current pool accrual rate. The prospectus supplement will identify adjustable-rate pools that include convertible ARM loans and specify the times when a borrower may convert an ARM loan to a fixed-rate loan as long as the conditions specified in the prospectus supplement are met.

Option to Extend Term of Loan

Some fixed-rate loans permit a borrower to exercise an option, during a period specified in the mortgage loan documents and before the maturity date, to extend the term of the loan for an additional period of time. During the initial term of the loan, the loan bears a fixed-rate of interest. and certificateholders will receive interest as described in **"—Fixed-Rate Loans."** If a borrower decides to extend the term of such a loan, the interest rate on the loan will change as described below:

Fixed-rate loans with an option to extend the maturity date and convert to an ARM loan. During its initial term, payments on the loan may correspond to any of the fixed-rate balloon loans described in **"—Fixed-Rate Loans"** with corresponding monthly payments. Before the maturity date, the borrower may exercise an option under the related loan to extend the maturity date of the loan and convert the loan to an ARM loan that will have an adjustable rate of interest during the extended term. During the adjustable-rate term of the loan, certificateholders will receive interest as described in **"—Adjustable-Rate Loans (ARM Loans)."** If a borrower decides to extend the term of a loan, the trust agreement gives us the right, but not the obligation, to purchase the loan from the pool. Nevertheless, our current policy requires us to retain the loan in the pool. The prospectus supplement will identify pools that include loans for which the borrower has an option to extend the term and disclose the conditions under which a borrower may extend the maturity of a loan in the pool.

Fixed-rate loans with an option to extend the maturity date and set a new fixed rate of interest. The loan may be any of the fixed-rate balloon loans described in **"—Fixed-Rate Loans"** above with corresponding monthly payments. Before the maturity date, the borrower may exercise an option under the related loan to extend the maturity date of the loan and set a new fixed rate of interest that will apply during the extended term. During the extended term, the monthly payments on the loan will consist of principal and interest at the new fixed rate. If a borrower decides to extend the term of a loan, the trust agreement gives us the right, but not the obligation, to purchase the loan from the pool. Our current policy permits us to make a decision to purchase the loan from the pool or retain the loan in the pool at the time the borrower exercises the option. The prospectus supplement will identify pools that include loans for which the borrower has an option to extend the term and disclose the conditions under which a borrower may extend the maturity of a loan in the pool.

General Characteristics of Multifamily Loans

The characteristics discussed in this section are typically found in multifamily mortgage loans. However, the loans in a pool backing an issuance of certificates will have individual characteristics as well. The prospectus supplement for each pool includes a Schedule of Pool and Loan Information, which includes an individual Multifamily Schedule of Loan Information for each loan in the pool. These schedules provide detailed information about the mortgage loans included in the pool and the mortgaged properties securing the loans, including certain data and estimates ("data") provided by the seller. However, the seller provides only the latest data available as of the issue date, which may relate to an earlier period. Thus, after the issue date, the data may no longer be accurate due to intervening events or conditions. The seller is required to make certain representations and

warranties to us about the mortgage loans that we purchase. See **"FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties."**

Multifamily Schedule of Loan Information

The Multifamily Schedule of Loan Information found in each prospectus supplement discloses certain data elements about the underlying multifamily mortgage loans in the pool and the multifamily mortgaged properties securing the loans. The data elements included for the loans in any particular pool may vary from pool to pool and may vary among loans purchased through different product lines. The data elements for multifamily loans generally will include the data elements listed in ***Exhibit C*** to this prospectus. (Some of these data elements apply only to ARM loans.)

Definitions

We securitize both loans that are newly originated (i.e., they have been outstanding for no more than one year) and loans that are seasoned (i.e., they have been outstanding for over one year). The Multifamily Schedule of Loan Information for each loan in a pool discloses the related underwritten debt service coverage ratio, underwritten loan-to-value ratio, underwritten net operating income, underwritten physical occupancy, and underwritten property value. The values disclosed for these items (which are defined below) are the most recent values that are available to us at the issue date of the certificates. While these values are generally current for newly originated loans, the values may be significantly dated for many seasoned loans. For some newly originated mortgage loans and most seasoned mortgage loans, the Multifamily Schedule of Loan Information will disclose the date of the financial statements used to calculate the underwritten debt service coverage ratio and underwritten net operating income.

If the Multifamily Schedule of Loan Information indicates that your pool contains newly originated mortgage loans, please review the definitions in "*—Definitions for Newly Originated Mortgage Loans*" and "*—Definitions for All Mortgage Loans*." If the Multifamily Schedule of Loan Information indicates that your pool contains seasoned mortgage loans, please review the definitions below in "*—Definitions for Seasoned Mortgage Loans*" and "*—Definitions for All Mortgage Loans*."

Definitions for Newly Originated Mortgage Loans

- The **"underwritten debt service coverage ratio"** for a newly originated mortgage loan is the ratio of:

  (a) the underwritten net operating income (as defined below) for the related mortgaged property on an annualized basis, to

  (b) **the annual underwritten debt service for the mortgage loan using:**

  - the greater of

    (i) the initial interest rate on the mortgage loan or

    (ii) the ***minimum*** underwriting interest rate established by Fannie Mae;

    <u>*and*</u>

  - a 30-year amortization term or any other maximum amortization term that applies to the mortgage loan (an underwritten amortization term is applied for all loans, including interest-only loans).

  We require the lender to apply a minimum underwriting interest rate, which may vary from time to time, to limit the principal amount of a mortgage loan originated during a low interest rate environment. In addition, we require the lender to underwrite a mortgage loan with an assumed amortization payment, even for interest-only loans. Both of these underwriting requirements are used to mitigate against the refinance risks associated with loans that are subject to a balloon payment at maturity.

- The **"underwritten loan-to-value ratio"** of a newly originated mortgage loan is the relationship between:

  (a) the unpaid principal balance of the mortgage loan as of the issue date of the certificates, and

  (b) the underwritten property value,

  expressed as a percentage of the underwritten property value.

- The **"underwritten net operating income"** for a mortgaged property securing a newly originated mortgage loan is the revenue that the lender estimates will be generated from the use and operation of the mortgaged property. Lenders may use historical operating performance, expected property operating improvements and other factors. Factors used to calculate expected revenue commonly include estimated market rental rates and other income, if any, generated by the property. Factors used to calculate estimated operating expenses commonly include utilities, general administrative expenses, management fees, advertising, repairs and maintenance, and estimated fixed expenses such as insurance and real estate taxes. The factors used by lenders to determine revenue generated and expenses incurred may vary from one type of property to another. Underwritten net operating income is presented on an annualized basis.

If a property securing a mortgage loan in the pool also secures one or more other mortgage loans on the issue date, the underwritten debt service coverage ratio and the underwritten loan-to-value ratio that are disclosed are presented on a combined basis.

- The **"underwritten combined debt service coverage ratio"** for a newly originated mortgage loan is the ratio of:

  (a) the underwritten net operating income for the related mortgaged property on an annualized basis, to

  (b) the annual underwritten debt service for the mortgage loan and for all other senior and subordinate lien mortgage loans in effect as of the date the loan was underwritten, using:

    - the greater of

      (i) the initial interest rate on the mortgage loan or

      (ii) the ***minimum*** underwriting interest rate established by Fannie Mae;

    and

    - a 30-year amortization term or any other maximum amortization term that applies to the mortgage loan (an underwritten amortization term is applied for all loans, including interest-only loans).

- The **"underwritten combined loan-to-value ratio"** for a newly originated mortgage loan is the relationship between:

  (a) the sum of the unpaid principal balance of the mortgage loan and the unpaid principal balances of all other senior and subordinate lien mortgage loans as of the issue date, and

  (b) the underwritten property value,

  expressed as a percentage of the property value.

Definitions for Seasoned Mortgage Loans

- The **"underwritten debt service coverage ratio"** for a seasoned mortgage loan is the ratio of:

  (a) the underwritten net operating income (as defined below) for the related mortgaged property, to

  (b) the annualized debt service for the mortgage loan.

- The **"underwritten loan-to-value ratio"** of a seasoned mortgage loan is the relationship between:

  (a) the unpaid principal balance of the mortgage loan, and

  (b) the underwritten property value,

  expressed as a percentage of the underwritten property value.

  - If a loan is newly acquired by us, the unpaid principal balance of the loan is generally the balance as of the issue date of the certificates. If a loan has been held in our portfolio, the unpaid principal balance of the loan is generally the original principal balance of the loan.
  - If a loan has been outstanding for a significant period of time before it is sold to us, the seller may use a recent determination of property value to calculate the underwritten loan-to-value ratio. If a loan has been held in our portfolio, the original underwritten property value will be used.

- The **"underwritten net operating income"** for a mortgaged property securing a seasoned mortgage loan is the actual net operating income for the property that was most recently reported to us.

If a property securing a seasoned mortgage loan in the pool also secures one or more other mortgage loans on the issue date, the underwritten debt service coverage ratio and the underwritten loan-to-value ratio that are disclosed are presented on a combined basis.

- The **"underwritten combined debt service coverage ratio"** for a seasoned mortgage loan is the ratio of:

  (a) the underwritten net operating income for the related mortgaged property, to

  (b) the annualized combined debt service for the mortgage loan and for all other senior and subordinate lien mortgage loans currently secured by the mortgaged property.

- The **"underwritten combined loan-to-value ratio"** for a seasoned mortgage loan is the relationship between:

  (a) the sum of the unpaid principal balance of the mortgage loan and the unpaid principal balances of all other senior and subordinate lien mortgage loans, and

  (b) the underwritten property value,

  expressed as a percentage of the property value.

  - If a loan is newly acquired by us, the unpaid principal balance of the loan is generally the balance as of the issue date of the certificates, and the unpaid principal balances of the other mortgage loans are the balances reported to us by the seller at the time of sale. If a loan has been held in our portfolio, the unpaid principal balance of the loan is generally the original principal balance of the loan, and the unpaid principal balances of the other mortgage loans are the balances most recently reported to us.
  - If a loan has been outstanding for a significant period of time before it is sold to us, the seller may use a recent determination of property value to calculate the underwritten combined loan-to-value ratio. If a loan has been held in our portfolio, the original underwritten property value will be used.

Definitions for All Mortgage Loans

- The **"underwritten physical occupancy"** of a mortgaged property is the underwritten occupancy rate provided to us by the lender as of the date the loan was originated, expressed as a percentage.
- The **"underwritten property value"** or **"appraised value"** is the value of the related mortgaged property as of the date the loan was originated as reported to us by the lender. This value is the lowest of the following: (i) the appraised value established by a third-party appraisal, (ii) the lender's underwriting value based on the lender's adjustments to appraisal deficiencies, or (iii) if the lender committed to make the loan within 12 months of the date the mortgaged property was acquired by the borrower, the lower of (x) the appraised value or (y) the acquisition price plus the cost (if the cost increases the value of the property) of any repairs which were completed and fully paid for before the loan commitment or for which the borrower is depositing funds pursuant to an agreement with the lender, plus actual acquisition closing costs (not to exceed 3% of the acquisition price).

Method for Calculating Interest

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

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

Payments, Amortization and Maturity Date

Multifamily loans generally require monthly payments of principal and interest or payments of interest only. Whether the loan will have a balloon payment due at the scheduled maturity date will depend upon the basis used for calculating interest on the loan, the original loan term, the original amortization term, and the type of monthly payments being made on the loan. Loans that will have balloon payments due at maturity include, for example, (i) loans with interest-only payments for part or all of the term and (ii) loans providing for principal and interest payments sufficient to pay all accrued interest and scheduled principal over an original amortization term that is longer than the original loan term. The prospectus supplement will provide this information for each loan and will identify any loan for which payments are scheduled to be made less frequently than monthly.

Underwriting and Servicing

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

Non-Recourse and Recourse Mortgage Loans

A mortgage loan in your pool may be non-recourse or recourse to the borrower. Repayment of a non-recourse loan is secured solely by the mortgaged property and its cash flows; neither the borrower nor its owners or affiliates have any personal liability for the loan (other than in the case

of certain limited acts that are specified in the mortgage documents). Thus, if a non-recourse loan becomes delinquent, the lender can foreclose the mortgage loan and sell the mortgaged property but cannot look to other assets of the borrower or its owners. The mortgage loans in your pool are non-recourse loans unless the prospectus supplement specifies that they are recourse loans.

In contrast, repayment of a recourse loan is secured not only by the mortgaged property and its cash flows but also by the other assets of the borrower; the borrower has personal liability for the loan. If a recourse loan becomes delinquent, not only can the lender foreclose the mortgage loan and sell the mortgaged property, it can pursue repayment from the borrower and its other assets, subject to restrictions under certain state laws. Assumptions of recourse loans are significantly restricted. See "**RISK FACTORS—Yield and Prepayment Factors—***Sales and Refinancing*—***A mortgage loan that is recourse to the borrower may require payment in full upon the sale of the related mortgaged property, accelerating the rate of principal payment on your certificates" for further information.***

New Senior and Subordinate Mortgage Loans

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

Generally, an event of default on a mortgage loan that is either senior in priority or lower in priority to a mortgage loan will trigger an event of default on the other mortgage loan. The occurrence of an event of default will entitle us to declare the entire unpaid principal balance of the mortgage loan due and payable. If we do so, and the unpaid principal balance is paid in full, you will receive an early prepayment of principal. See "**YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Existing and Future Additional Mortgage Liens*."

The prospectus supplement will indicate whether the mortgage loan in your pool is a subordinate lien mortgage loan and may indicate whether there is a mortgage loan that is subordinate to the mortgage loan in your pool.

Mezzanine Loans and Preferred Equity

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

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

In a preferred equity structure, the financing source makes a capital contribution to the mortgage borrower in exchange for an equity share in the mortgage borrower. The holder of the preferred equity has a preferred right of payment over the holders of common equity in the mortgage

borrower and, generally, is entitled to receive the net cash flow from the mortgaged property until its equity investment is repaid and an agreed-upon return is achieved. The holder of the preferred equity is typically either a limited partner (in a limited partnership mortgage borrower) or a non-managing member (in a limited liability company mortgage borrower).

When either a mezzanine loan or preferred equity is present, we and the mortgage lender require an intercreditor agreement with the mezzanine lender or the holder of the preferred equity. In the case of a mezzanine loan, the intercreditor agreement requires cash flow from the mortgaged property to be used first for all payments due under the mortgage loan including debt service, repairs and reserves. Moreover, it restricts the ability of the mezzanine lender to (i) transfer the mezzanine loan or a controlling interest in the mezzanine loan, (ii) transfer a controlling interest in itself, or (iii) exercise its remedies upon a default under the mezzanine loan. The intercreditor agreement also imposes certain limitations on the mezzanine lender's right to cure a default under the mortgage loan. Where there is preferred equity, the intercreditor agreement restricts the ability of the holder of the preferred equity to transfer a controlling interest in itself or in the mortgage borrower. In some cases, in lieu of an intercreditor agreement, the mortgage lender may place these restrictions on the holder of the preferred equity in a loan agreement that is entered into between the mortgage lender and the mortgage borrower and that is acknowledged by the holder of the preferred equity.

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

In another arrangement, a DUS lender makes a mezzanine loan to the equity owners of a mortgage borrower at the same time that it makes a DUS mortgage loan to the mortgage borrower. The DUS lender then transfers the mortgage loan to us in exchange for cash or an MBS and transfers the mezzanine loan to us for cash. We immediately sell the mezzanine loan to an unaffiliated third-party mezzanine investor. Under this arrangement, we may be required to purchase the mezzanine loan if both we and the mezzanine lender determine that the mezzanine loan was not underwritten in accordance with certain pre-approved underwriting standards. Our obligation to purchase the mezzanine loan is in effect for only a limited period after the mezzanine loan has been sold to the mezzanine lender. If we purchase the mezzanine loan and the mezzanine borrower then defaults, we may foreclose on the equity interests in the mortgage borrower; we will then become the owner of the equity interests in the mortgage borrower. We also permit approved DUS lenders, DUS lender affiliates and other third parties to make mezzanine loans to the equity owners of a mortgage borrower at the same time the DUS lender makes a DUS mortgage loan to the mortgage borrower. Certain of these and other arrangements may cause conflicts of interest. See "**RISK FACTORS—Yield and Prepayment Factors—***Subordinated Financing and Additional Collateral; Mezzanine Financing and Equity Interests"* in this prospectus.

Equity Interests in Owners of Mortgaged Properties

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

Special Feature Mortgage Loans

Some loans have special features that distinguish them from standard multifamily loans. The special features may include the type of multifamily mortgaged property securing the loan, the income level of the tenants or other features.

Affordable Housing Loans and Low-Income Housing Tax Credit Loans

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

Section 42 provides a LIHTC for an owner of a residential rental property that meets the definition of a "qualified low-income housing project" where the owner has received a tax credit allocation from the state or local allocating agency. (LIHTC may also be claimed without an allocation where 50% or more of the aggregate basis in the land and buildings are financed by proceeds of tax-exempt bonds that are subject to the volume cap under section 146 of the Internal Revenue Code.) The total amount of tax credits the owner is entitled to receive is based upon the percentage of total units made available to qualified tenants.

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

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

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

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

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

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

If a qualified property does not maintain compliance with the tax credit restrictions on tenant income or rental rates, the owners of the qualified property may lose the tax credits related to the period of the noncompliance and face the partial recapture of previously taken tax credits. This could lead to an event of default under the mortgage, acceleration of the mortgage loan and the early prepayment of the related certificates. See "**RISK FACTORS—Yield and Prepayment Factors—** *Property—Affordable Housing Loans.*"

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

We also purchase affordable housing mortgage loans secured by properties that are not financed with tax credits and do not comply with section 42. These properties usually receive other subsidies from federal, state or local agencies or organizations. Even if a property has no subsidy, the borrower may decide to forgo charging market rents in an effort to keep the properties affordable. Encumbrances and restrictions on these properties may differ from those required by section 42.

As discussed above, federal, state and local agencies and organizations may provide subsidies or loans related to the affordable housing and secure the borrower's obligations under the subsidies or loans by placing a subordinate lien on the mortgaged property. These subsidies or loans may require the borrower to make low payments during their term or require no payments to be made so long as the property continues to comply with their affordability terms. We sometimes refer to these arrangements as "soft" financing. If soft financing is present on a mortgaged property and we believe that the soft financing will have no material effect on the property's cash flow, we typically do not provide information about the financing or include the terms of the financing in the underwritten loan-to-value and underwritten debt service coverage ratios disclosed for the loan.

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

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

Affordable Housing—FHA Risk Sharing Loans

As part of our mission to promote affordable rental housing, we are parties to a Multifamily Risk Sharing agreement with HUD under which we acquire multifamily affordable housing loans and share the risk of loss with HUD.

Under our FHA Risk Sharing program, the loans are underwritten according to our DUS guidelines for affordable housing and are documented on our form of loan documents. The loans are serviced under our DUS servicing guidelines. HUD and Fannie Mae each assume 50% of the risk of loss on each of these loans.

Cooperative Blanket Loans

A "cooperative blanket loan" is a multifamily loan made to a cooperative housing corporation and secured by a first or subordinate lien on a cooperative multifamily housing project that contains five or more units. The cooperative housing corporation borrower owns the cooperative multifamily housing project, including all the individual dwelling units as well as the common areas, and owns (or leases) the land on which the project is built. The cooperative housing corporation manages the project and generally is responsible for paying real property taxes and hazard and liability insurance premiums on the project. Unlike owners under traditional mortgage loans, the owners of the cooperative housing corporation (the "unit-owners") do not buy their respective dwelling units but rather acquire interests in the cooperative housing corporation with rights to occupy their units. Financing used by the unit-owner to acquire interests in the cooperative housing corporation is independent of and not affiliated with the cooperative blanket loan. In some cases, the cooperative housing corporation itself may hold the rights to one or more of the units, which are made available for rental.

The unit-owners generally must pay a proportional share of the payments on the cooperative blanket loan and the expenses of the cooperative project. If a unit-owner fails to do so, the cooperative housing corporation can terminate the unit-owner's occupancy rights. A substantial portion of the cooperative housing corporation borrower's cash flow is received from the required payments by the unit-owners and from rental payments by tenants occupying the borrower-owned units. When an unanticipated expenditure is required, the cooperative housing corporation borrower may need to

declare special assessments on the unit-owners. The borrower must then collect the special assessment from each of the unit-owners and must pay the special assessments levied on the rental units owned by the borrower. If the cooperative housing corporation's cash flow is adversely affected, it may default on its loan. In that case, the lender may foreclose on the cooperative multifamily housing project and terminate the occupancy rights of the cooperative housing corporation and the unit-owners.

Special definitions generally apply to cooperative blanket loans. Unless otherwise defined in the prospectus supplement, the following definitions will apply to cooperative blanket loans:

- The **"underwritten net operating income"** for a cooperative blanket loan is the rental revenue that the lender estimates would be derived from the use and operation of the related mortgaged property if the property were being operated as multifamily rental property (assuming, with certain exceptions, that the units in the property were available for rental at prevailing market rental rates), less the estimated operating expenses (such as utilities, general administrative expenses, management fees, advertising, repairs and maintenance) and estimated fixed expenses (such as insurance and real estate taxes), all calculated on an annual basis.
- The **"underwritten property value"** for a cooperative blanket loan is the value of the related mortgaged property as reported to us by the lender based on an appraisal or alternative valuation method that contains a study of rents and sales comparables and an analysis of economic trends determined as if the mortgaged property were used and operated as a multifamily rental property (assuming, with certain exceptions, that the units in the property were available for rental at prevailing market rental rates).

Seniors Housing Loans

A "seniors housing loan" is a multifamily loan secured by a mortgaged property that is intended to be used by elderly residents for whom the owner or operator provides special services that are typically associated with either "independent living" or "assisted living." For independent living facilities, these services generally include recreational activities, one to three meals each day through central dining services, weekly housekeeping and laundry. Assisted living facilities include these services as well as additional special services for personal care, assistance with activities of daily living and, in some cases, monitoring of medication. In assisted living facilities, the special services may be part of the resident's basic service package that is included as a part of the rental and service income of a property or may be billed separately to the resident. Seniors housing projects may include one or more of the following: independent living facilities, assisted living facilities and Alzheimer's/dementia care facilities. In addition, a facility may include a limited number of units providing skilled nursing care. Stand-alone facilities providing only skilled nursing care are not eligible for seniors housing loans.

The rental payments received from assisted living facilities may include amounts related to the special services described above. As a result, "net operating income" is specially defined for seniors housing loans as the revenue that the lender estimates will be generated from the use and operation of the related mortgaged property (primarily estimated market rental rates for facilities that provide "independent living" or "assisted living") less estimated operating expenses (such as utilities, food service, housekeeping, laundry, general administrative expenses, management fees, advertising, repairs and maintenance) and estimated fixed expenses (such as insurance and real estate taxes), all calculated on an annual basis. A limited portion of the rental payments on assisted living facilities may be provided from Medicaid funds and, in limited cases. Medicare funds. In those cases, the borrower may enter into an agreement providing for additional collateral to be available if Medicaid or Medicare funds for the assisted living facility are limited or eliminated in the future.

Manufactured Housing Community Loans

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

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

Rural Rental Housing Loans

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

Rural Rental Housing loans include but are not limited to affordable housing loans that qualify for a LIHTC. For a discussion of loans that qualify for a LIHTC, see ***"—Affordable Housing Loans and Low-Income Housing Tax Credit Loans"*** above.

Military Housing Loans

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

Student Housing Loans/Dedicated Student Housing Loans

Loans may be secured by multifamily properties in which college or graduate students make up a significant portion of the tenants. A "student housing loan" is a loan secured by a multifamily property in which generally more than 20% and less than 80% of the units are leased to college or graduate students. A "dedicated student housing loan" is a loan secured by a multifamily property in which 80% or more of the units are leased to college or graduate students. A dedicated student housing property (i) may have been specifically constructed as student housing or may have been built as a typical multifamily project that now functions as student housing; (ii) is typically located in the vicinity of a college with at least 20,000 students, over 50% of whom are full-time students, and (iii) is located within a specified distance from the college campus or is located on a college-sanctioned direct public transportation line.

In both student housing properties and dedicated student housing properties, students generally must sign leases with a minimum term of one year. In most cases, either a parent guarantees the student's lease obligations or the student leasing the unit has the financial ability to meet the lease

obligations (whether through employment or other documented financial means). Students may or may not remain in the same units during the following school year. We review student housing loans and dedicated student housing loans before agreeing to purchase the loans because of the concentration of students as tenants, the expenses incurred in repairing and refurbishing the units for re-rental, and the high turnover of tenants at the end of a semester or school year. In addition, some dedicated student housing properties may not be readily convertible to conventional multifamily properties.

DUS Loans

A substantial portion of the multifamily mortgage loans that we acquire and securitize are loans originated by lenders under our Delegated Underwriting and Servicing business line ("DUS"). We permit only multifamily lenders specifically approved by us to act as DUS lenders and deliver DUS loans. Our current DUS lenders are identified on our Web site.

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

Standard DUS Loans

When a borrower and a lender enter into a standard DUS loan, generally there is no loan agreement under which the lender has committed to make further advances or loans to the borrower as part of the same transaction. Instead, standard DUS loans are governed by the related loan documents and by the Multifamily Guide. The loan documents are typically the standard form of DUS loan documents, with certain exceptions approved by us or by our lenders. Certain characteristics of standard DUS loans are discussed below.

A standard DUS loan pool often includes only one mortgage loan but may include two or more mortgage loans. If a standard DUS loan pool includes more than one mortgage loan, there may be a loan agreement containing provisions common to all mortgage loans in the pool. Most standard DUS loans are first lien or second lien mortgage loans that are non-recourse to the borrower. Most standard DUS loans permit voluntary prepayments in full upon the payment of prepayment premiums. Defeasance loans, subordinate lien loans and the other loans discussed in **"—Special Feature Mortgage Loans"** also may be originated as standard DUS loans and deposited into standard DUS pools.

The prospectus supplement will indicate whether a pool contains standard DUS loans.

Delivery

When a DUS lender delivers interest-bearing DUS loans to us, the lender may sell the delivered loans to us for cash, or the lender may exchange the delivered loans for certificates that evidence an interest in one or more underlying pools that contain the delivered loans.

If the DUS lender decides to exchange the loans for certificates, the DUS lender may retain the certificates or may sell the certificates to a third-party investor. A DUS lender may sometimes sell certificates to an investor at a premium over their face value. On occasion, we may share with the DUS lender a portion of the premium paid by the investor.

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

Underwriting and Servicing

A DUS lender originates and underwrites each standard DUS loan generally to conform to our DUS loan product requirements as described in the Multifamily Guide. We delegate to the DUS lenders the responsibility for underwriting and servicing DUS loans. The Multifamily Guide provides that each standard DUS loan when purchased is assigned to one of several underwriting tiers ("tiers"). Each tier has minimum underwritten debt service coverage ratio and maximum underwritten loan- to-value ratio requirements. The required values may be changed from time to time.

Loss Sharing

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

Waivers

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

While both Fannie Mae and the lender are required to approve some of the waivers described above, the lender in its discretion may approve many of these waivers without any requirement that we also approve the waiver. When a waiver requires our approval, we may grant or deny the waiver in our discretion.

Future Encumbrance

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

Tier Drop Eligible DUS Loans

A "tier drop eligible DUS loan" is a loan that permits a "tier drop subordinate loan" to be placed on the related mortgaged property. A "tier drop subordinate loan" is a subordinate Standard DUS loan that, when combined with the related senior Standard DUS loan, has a combined loan-to-value ratio greater than, and/or a combined debt service coverage ratio less than (a) (i) if the senior Standard DUS loan backs MBS certificates, the respective values set forth in the prospectus supplement

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

Prepayment Premiums

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

Structured Transaction DUS Loans

Under our structured transaction DUS loan product line, a pool of mortgages serves as collateral for loans or advances that may be short-term borrowings with terms of one year or less or may be intermediate- and long-term financings, though some arrangements may provide for only short-term borrowings, only intermediate and long-term financing, or both. Financings under any structured transaction, both short- and long-term, may be funded through MBS, DMBS, and Fannie Mae's purchase of advances into its own portfolio. DMBS are described in and issued under the then-current Multifamily DMBS Prospectus. This discussion relates to financings that are securitized as MBS.

If the structured transaction is a credit facility, the entire pool of properties typically is cross-collateralized and cross-defaulted. Credit facilities usually permit a borrower to add, substitute and release properties over time. If the structured transaction is not a credit facility (*i.e.*, it is a "bulk delivery" transaction), the properties in the pool are usually not cross-collateralized or cross-defaulted. Bulk delivery transactions usually permit additional, related, borrowers to add new properties to the transaction and to release specific properties upon payment in full of the debt secured by the property being released. This flexibility makes structured transactions attractive to owners of multiple multifamily properties. Significant characteristics of structured transaction arrangements are described below.

The lender and one or more borrowers will enter into a master credit facility agreement (for credit facilities), a master loan agreement (for bulk delivery transactions) or some other form of master agreement (all of which are referred to as a "master agreement") under which the lender is committed to lend additional funds to the borrower. For credit facilities, the lender makes short- or long-term loans (each, an "advance"). Advances are often made to one borrower but may be made to more than one borrower; all borrowers are obligated on all advances. Credit facility advances may be made under a single mortgage note or under multiple mortgage notes, depending on factors such as whether the advances are fixed or variable, are at different rates of interest, or have different maturity dates. For bulk delivery transactions, the lender makes a separate loan to each borrower, each of which is evidenced by a single mortgage note signed by that individual borrower, regardless of rate, term or other factors. Each advance or loan so delivered to us and securitized as an MBS is represented by a participation certificate that equals a 100% participation interest in the unpaid principal balance of the advance or loan and that contains the specific terms of that advance or loan. We hold the participation interest in trust for the benefit of the holders of the related certificates. Ownership of a certificate provides the holder of the certificate with a fractional undivided beneficial interest in a pool containing a single participation certificate.

The advances may be intermediate-term or long-term, with terms of five to ten years and with interest at fixed rates. Each of these advances generally provides for monthly payments of interest and, in some cases, principal, and a balloon payment of all remaining principal to be paid on its maturity date. Each advance is placed in a pool evidenced by certificates, and payments of interest and principal on the advances (if principal is payable under the terms of the advances) are passed through to certificateholders.

For credit facilities, all advances under a master agreement are equally secured by one or more mortgages on one or more multifamily properties specified in the prospectus supplement. A default under one advance will constitute a default under all of the other advances made under the master agreement, which allows us (but does not require us) to declare due and payable the entire unpaid principal balance under each advance. If we decide to declare one or more advances due and payable, and the entire principal balance of any of the advances is then paid in full, holders of the certificates backed by the prepaid advance will receive an early payment of principal. No prepayment premium will be due in that case. See "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments*—***Cross-Default and Cross-Collateralization Provisions*" for a further discussion of cross-defaults and cross-collateralization provisions.

For bulk deliveries, a separate loan is made to each borrower and is secured by a mortgage on the multifamily property or properties owned by that borrower. The loans are usually not cross-defaulted or cross-collateralized. As a result, a default under one loan generally will not constitute a default under any other loan made under the master agreement, and the multifamily properties securing the other loans would not be available to satisfy the defaulted loan. If a loan is in default and we decide to declare it due and payable, holders of certificates backed by the defaulted loan will receive an early payment of principal. No prepayment premium will be due in that case.

In a credit facility, the master agreement may give the borrower the right to increase the dollar amount of the lender's commitment to make advances, while in a bulk delivery transaction, the master agreement may give the current borrowers the right to expand the arrangement to accommodate new, but related, borrowers or to obtain a supplemental loan on a mortgaged property that already secures an existing loan in the bulk delivery.

Addition, Release and Substitution of Mortgaged Properties

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

- the underwriting of the proposed mortgaged property to be added or substituted must be performed in accordance with our standards;
- we and the lender must be satisfied that after the addition, release or substitution of a mortgaged property, the debt service coverage ratio will not be less than, and the loan-to-value ratio will not be greater than, the respective ratios set forth in the related master agreement (for a credit facility, these ratios are typically determined on an aggregate basis for all debt and properties in the credit facility, while for a bulk delivery, the ratios are usually determined with respect to an individual loan only);
- the borrower must not be in default under the master agreement and other loan documents; and
- title, survey and all documents necessary to release, add or substitute the mortgaged property must be prepared to the lender's satisfaction.

The prospectus supplement for an issuance of certificates backed by a credit facility advance or bulk delivery loan will specify the debt service coverage ratio and the loan-to-value ratio that determines whether a borrower may add, release or substitute a mortgaged property. The applicable note may permit the borrower to make a partial prepayment in connection with any substitution or release of mortgaged properties; if so, the ability to make voluntary partial prepayments will be disclosed in the prospectus supplement.

Assumption and Further Encumbrances

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

Continued Reporting and Updating of Data

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

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

MFlex Loans

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

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

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

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

Delivery

When an MFlex lender delivers MFlex loans to us, the lender may sell the delivered loans to us for cash, or the lender may exchange the delivered loans for certificates that evidence an interest in one or more underlying pools that contain the delivered loans. If the MFlex lender decides to exchange the loans for certificates, the lender may retain the certificates or may sell the certificates

to a third-party investor. An MFlex lender may sometimes sell certificates to an investor at a premium over their face value. On occasion, we may share with the lender a portion of the premium paid by the investor.

As is true for Standard DUS loans, we may securitize seasoned MFlex loans that we purchased for cash and held in portfolio for some period of time. See "**—DUS Loans—*Standard DUS Loans—***
Delivery."

Underwriting and Servicing

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

Loss Sharing

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

Waivers

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

While the consent of both Fannie Mae and the lender is required for approval of some of the waivers described above, the lender in its discretion may approve many of these waivers without any requirement that we also approve the waiver. When a waiver requires our approval, we may grant or deny the waiver in our discretion.

Future Encumbrance

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

Prepayment Premiums

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

Negotiated Transactions

Under our negotiated transactions loan product line, eligible sellers may sell to us newly originated or seasoned multifamily mortgage loans referred to as Negotiated Transaction or NT loans. NT loans, which may be fixed-rate loans or ARM loans, are secured by multifamily properties that contain at least five residential units. NT loans may be recourse or non-recourse to the borrower. The prospectus supplement will indicate when a pool contains NT loans.

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

Most NT loans are underwritten to comply with the underwriting guidelines of the originator of the loan. Underwriting guidelines vary among originators and may differ significantly from our underwriting guidelines. Before purchasing NT loans underwritten to comply with the originator's underwriting guidelines, we will review those guidelines to ensure that they are acceptable to us. In some cases, the seller of the NT loans was not the originator of the loans.

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

We generally will review all or a representative sample of the loan origination files for the NT loans that we include in a pool. Although sellers are not subject to the DUS loss sharing obligations, sellers delivering NT loans may, depending on the terms of the purchase, share with us in all or part of any losses that result when NT loans become delinquent. From time to time, we may obtain third-party credit enhancement to cover a portion of the losses that we may incur.

We negotiate the terms of each NT loan purchase with the seller. The terms of the NT loans purchased in one NT loan sale may differ significantly from the terms of the NT loans purchased in another NT loan sale. For each issuance of certificates, the prospectus supplement will identify the mortgaged properties securing the NT loans, describe the terms on which the NT loans may be prepaid or defeased, specify whether certificateholders will share in any prepayment premiums and disclose the other material terms of the NT loans included in the pool.

If an NT loan becomes delinquent for any reason during the first 90 days after we have acquired the loan, we may require the seller to purchase the loan from the pool. If an NT loan is purchased from the pool, its stated principal balance will be passed through to certificateholders. No prepayment premium is payable to certificateholders if an NT loan is purchased under these circumstances.

FANNIE MAE PURCHASE PROGRAM

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

Multifamily Guides

Our eligibility criteria and policies, summarized below, are set forth in our Multifamily Guide and our NT Guide and updates and amendments to these Guides. We amend or replace our Guides and our eligibility criteria and policies from time to time. Thus, not all the loans in a particular pool may be subject to the same eligibility standards. Moreover, the standards described in a current Guide may not be the same as the standards that applied when loans in a particular pool were originated.

Multifamily Mortgage Loan Eligibility Standards

Dollar Limitations

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

Underwriting Guidelines

We have established underwriting guidelines for the mortgage loans that we purchase. These guidelines are designed to provide a comprehensive analysis of the characteristics of the borrower, mortgage loan and mortgaged property, including such factors as the borrower's credit history, the value of the property, past and current operations of the property, the underwritten loan-to-value ratio, the underwritten debt service coverage ratio and the loan amount.

We review and modify our underwriting guidelines from time to time, including expanding our underwriting criteria to make multifamily loans more accessible to borrowers for loans secured by small multifamily properties and to borrowers that provide rental housing to low-and moderate-income families, rural residents and people with special housing needs. From time to time, we may also purchase multifamily loans underwritten to our lenders' underwriting guidelines, which we have reviewed and approved.

We permit our lenders to decide in their discretion whether certain underwriting guidelines may be waived for a specific loan. The waiver of other guidelines may require our consent. Our Guides will specify which waivers require our consent at any specific time.

Underwritten Loan-to-Value Ratios

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

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

Underwritten Debt Service Coverage Ratios

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

Seller and Servicer Eligibility

Before we approve an entity to become a seller or primary servicer for us, we require that the company demonstrate the following to our satisfaction:

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

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

Servicing Arrangements

We are responsible for supervising and monitoring the servicing of the mortgage loans as master servicer under the trust agreement. We contract with other entities to perform servicing functions under our supervision. We refer to these entities as our primary servicers. The primary servicer with which we contract is often the seller that sold us the loans.

Primary servicers must meet the eligibility standards and performance obligations in our Guides. All primary servicers are obligated to perform diligently all services and duties customary to servicing multifamily mortgage loans. We monitor the primary servicer's performance and have the right to remove any primary servicer at any time that we consider its removal to be in the best interests of the certificateholders. Duties performed by the primary servicer may include general loan servicing responsibilities, collection and remittance of payments on the loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary. Any of the duties of the primary servicer also may be performed by the master servicer.

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

We may resign from our duties as master servicer under the trust agreement upon providing 120 days' advance notice to the trustee and to the guarantor. After that time, the trustee would become master servicer until a successor has assumed our duties as master servicer. Even if our duties as master servicer under the trust agreement terminate, we would remain obligated under our guaranty as guarantor. See **"DESCRIPTION OF THE CERTIFICATES—Trust Agreement—*Collection and Other Servicing Procedures.*"**

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

Servicing Compensation and Payment of Certain Expenses

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

If permitted by the terms of the related servicing contract, a primary servicer servicing loans with servicing fees greater than the minimum servicing fees may, at a later date, designate for securitization and securitize all or part of the servicing fee in excess of the applicable minimum servicing fee and retain only the minimum servicing fee. If any excess servicing fee is securitized after the issuance of a pool, the securitization will not affect the rate of interest you receive on your certificates. Certificateholders will have no right to any part of excess servicing fees that are securitized or designated for securitization.

Seller Representations and Warranties

Our sellers make representations and warranties to us about the mortgage loans we purchase. In general, the representations and warranties relate to:

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

We rely on these representations and warranties at the time of purchase to ensure that loans meet our eligibility standards. Some of the representations and warranties may continue throughout

the term of the loans. After purchase, we perform random quality control reviews of selected loans to monitor compliance with our guidelines, eligibility standards and applicable laws and regulations. At our option, we may purchase, or we may require a seller or primary servicer to purchase, a loan from a pool if we find a material breach of representations and warranties. For a discussion of how purchases affect the performance of the certificates, see **"RISK FACTORS—Yield and Prepayment Factors—***Loan Purchases*" above.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

U.S. Treasury Circular 230 Notice

The tax discussions contained in this prospectus (including the sections entitled **"MATERIAL FEDERAL INCOME TAX CONSEQUENCES"** and **"ERISA CONSIDERATIONS"**) and any applicable prospectus supplement were not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. These discussions were written to support the promotion or marketing of the transactions or matters addressed in this prospectus. You should seek advice based on your particular circumstances from an independent tax advisor.

Internal Revenue Service Guidance Regarding the Certificates

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

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

Application of Revenue Ruling 84-10

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

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

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

Original Issue Discount

Certain mortgage loans may be issued with original issue discount ("OID") within the meaning of section 1273(a) of the Code. OID generally arises only with respect to ARMs that provide for an incentive interest rate (sometimes referred to as a teaser rate) or mortgage loans, including ARMs, that provide for the deferral of interest. If a mortgage loan is issued with OID, a beneficial owner must include the OID in income as it accrues, generally in advance of the receipt of cash attributable to such income. The descriptions set forth below in ***"—Market Discount"*** and ***"—Premium"*** may not be applicable for mortgage loans issued with OID. You should consult your own tax advisor regarding the accrual of market discount and premium on mortgage loans issued with OID.

Market Discount

A beneficial owner that acquires a mortgage loan for less than its principal amount generally has market discount in the amount of the difference between the principal amount and the beneficial owner's basis in that mortgage loan. In general, three consequences arise if a beneficial owner acquires an interest in a mortgage loan with market discount. First, the beneficial owner must treat

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

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

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

Section 1272(a)(6)

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

Premium

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

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner's income by the portion of the premium

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

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

Accrual Method Election

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

Expenses of the Trust

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

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

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

Sales and Other Dispositions of Certificates

Upon the sale, exchange or other disposition of a certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the certificate. The adjusted basis of a certificate generally will equal the cost of the certificate to the beneficial owner, increased by any amounts of original issue discount and market discount included in the beneficial owner's gross income with respect to the certificate, and reduced by distributions on the certificate previously received by the beneficial owner as principal and by any premium that has reduced the beneficial owner's interest income with respect to the certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents original issue discount or accrued market discount not previously included in income (to which extent

such gain would be treated as ordinary income). Any capital gain (or loss) will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held the certificate for more than one year. The ability to deduct capital losses is subject to limitations.

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

Special Tax Attributes

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

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

The special tax attributes discussed above do not apply to a mortgage loan to the extent that its principal amount exceeds the value of the real property securing it. We believe that the fair market value of the real property securing each mortgage loan exceeds the principal balance of that mortgage loan as of the issue date of the certificates based upon the lender's representation that each mortgage loan complied with underwriting guidelines with respect to property value and loan-to-value ratio. The principal security for each mortgage loan is a first lien (or, in the case of a subordinate lien mortgage loan, a subordinate lien) on real property. However, the mortgage loans may also be secured by a security interest in related tangible personal property (e.g., equipment and furniture) and in related intangible personal property such as rents and revenues, insurance proceeds, condemnation awards or settlements, contract rights, deposits, permits, accounts, licenses, and so forth. If the principal balance of the mortgage loan exceeds the fair market value of the real property securing the mortgage loan, the certificates will retain the special tax attributes discussed above in proportion to the value of the real property remaining as security for the mortgage loan.

Seniors Housing Loans

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

Defeasance Mortgage Loans

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

discussed above regarding the application of these Code sections would be limited to the remaining mortgage loans underlying the certificates that are secured by an interest in real property.

Multifamily Mortgage Loan Servicing

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

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

A mortgage loan is effectively not treated as a stripped bond, however, if the mortgage loan meets either the 100 basis point test or the de minimis test. A mortgage loan meets the 100 basis point test if the total amount of servicing compensation on the mortgage loan does not exceed reasonable compensation for servicing by more than 100 basis points. A mortgage loan meets the de minimis test if (i) the discount at which the mortgage loan is acquired is less than 0.25 percent of the remaining principal balance of the mortgage loan multiplied by its weighted average remaining life; or (ii) in the case of wholly self-amortizing mortgage loans, the acquisition discount is less than ⅙ of one percent times the number of whole years to final stated maturity.

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

Information Reporting and Backup Withholding

For each distribution, we will post on our Web site information that will allow beneficial owners to determine (i) the portion of such distribution allocable to principal and to interest, (ii) the amount, if any, of OID and market discount, and (iii) the administrative expenses allocable to such distribution. In Notice 2008-77, 2008-40 I.R.B. 814, the IRS provided an exception from reporting certain modifications of mortgage loans held by a fixed investment trust if a guaranty arrangement compensates the trust for any shortfalls that would otherwise be experienced as a result of the modification. Based on this IRS guidance, we have determined that modifications of certain nonperforming loans under terms specified in our trust agreement are not required to be reported.

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

Foreign Investors

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

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

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

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

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

ACCOUNTING CONSIDERATIONS

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

LEGAL INVESTMENT CONSIDERATIONS

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

ERISA CONSIDERATIONS

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

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

LEGAL OPINION

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

Exhibit A

FREQUENTLY USED MULTIFAMILY MBS POOL PREFIXES

Below is a listing of some of the most frequently used multifamily pool prefixes. For a complete listing and description of pool prefixes, please refer to our Web site at www.fanniemae.com. Unless otherwise stated, the pools contain fixed-rate mortgage loans.

AM . . . . . Conventional, adjustable-rate mortgages.

H2 . . . . . . Conventional, supplemental lien mortgages; actual/360 interest day basis calculation; maturity dates vary.

HA . . . . . Conventional, adjustable-rate mortgages; actual/360 interest day basis calculation; maturity dates vary.

HI . . . . . . Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in fifteen (15) years or less.

HL . . . . . Conventional, long-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in greater than twenty-five (25) years but less than thirty (30) years.

HN . . . . . Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in ten (10) years or less.

HR . . . . . Conventional, adjustable-rate supplemental lien mortgages; actual/360 interest day basis calculation; maturity dates vary.

HS . . . . . . Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in ten (10) years or less.

HT . . . . . Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in less than twenty (20) years.

HX . . . . . Conventional, short-term, level-payment, balloon mortgages; actual/360 interest day basis calculation; maturing or due in seven (7) years or less.

HY . . . . . Conventional, balloon mortgages; actual/360 interest day basis calculation; maturing or due in seven (7) years or more.

JM . . . . . Non-standard mortgages; maturity dates vary. Retired in 2001.

MA . . . . . Government (FHA) long-term, level-payment project mortgages; fully amortizing within forty (40) years.

MB . . . . . Conventional, adjustable-rate balloon mortgages; maturity dates vary.

MD . . . . . Conventional, non-interest bearing (discounted) securities backed by pools of one or more loans; maturity dates vary between 1 and 12 months.

MI . . . . . . Conventional, intermediate-term, level-payment mortgages; maturing or due in fifteen (15) years or less.

ML . . . . . Conventional, long-term, level-payment mortgages.

MN . . . . . Conventional, short-term, level-payment mortgages; maturing or due in ten (10) years or less.

MS . . . . . Conventional, short-term, level-payment mortgages; maturing or due in seven (7) years or less.

MT . . . . . Conventional, intermediate-term, level-payment mortgages; maturing or due in twenty (20) years or less.

MX . . . . . Conventional, level-payment, balloon mortgages; maturity dates vary.

MY . . . . . Conventional, level-payment, balloon mortgages; maturing or due in seven (7) years or more.

QI . . . . . . Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in fifteen (15) years or less.

QN . . . . . Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360, maturing or due in ten (10) years or less.

QT. . . . . . Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in twenty (20) years or less.

QY. . . . . . Conventional, level-payment, balloon mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in seven (7) years or more.

Exhibit B

POOL-LEVEL DATA ELEMENTS

Found on Pool Statistics page

Most Loans

- Highest Issuance Note Rate
- Lowest Issuance Note Rate
- WA [Weighted Average] Note Rate
- Largest Issuance UPB [Unpaid Principal Balance]
- Smallest Issuance UPB [Unpaid Principal Balance]
- Average Issuance UPB [Unpaid Principal Balance]
- Security Maturity Date
- WA [Weighted Average] Remaining Term to Maturity (months)
- Number of Loans
- Settlement Date
- Security Funds Transfer Type
- Transaction Type
- Security Type
- Pool Subtype [not applicable to fixed-rate loans]
- Seller Name
- Servicer Name

Additional Characteristics for ARM Loans

- Issuance WA [Weighted Average] Note Rate
- Highest Issuance MBS Margin
- Lowest Issuance MBS Margin
- WA [Weighted Average] Issuance MBS Margin
- Pass-Through Rate Method
- Highest Issuance Pass-through Rate
- Lowest Issuance Pass-through Rate
- WA [Weighted Average] Issuance Pass-through Rate
- Initial Pool Accrual Rate
- WA [Weighted Average] Maximum Pool Accrual Rate
- WA [Weighted Average] Minimum Pool Accrual Rate
- WA [Weighted Average] Months to Interest Rate Change
- Highest Net Life Cap
- Lowest Net Life Cap
- WA [Weighted Average] Net Life Cap
- Highest Net Life Floor
- Lowest Net Life Floor
- WA [Weighted Average] Net Life Floor

- Initial Rate Change Date
- Next Rate Change Date Table
- Weighted Average Months to Roll
- Distribution of Loans by First Payment Date

For an explanation of these data elements, please read **"DISCLOSURE METHODOLOGY,"** which is attached as **Exhibit D**. Certificateholders should determine for themselves how to use the pool statistics.

Exhibit C

LOAN-LEVEL DATA ELEMENTS

Multifamily Schedule of Loan Information

Most Loans

- Pool Number
- Pool Issue Date
- % of Initial Pool Balance
- Loan Number
- Loan Maturity Date
- Tier
- Tier Drop Eligible
- Lien Priority
- Underwritten LTV [Loan-to-Value]
- Underwritten DSCR [Debt Service Coverage Ratio]
- Balloon
- Original Note Rate
- Issuance [UPB] Unpaid Principal Balance
- Prepayment Lockout Start Date
- Prepayment Lockout Term (Months)
- Prepayment Lockout End Date
- Prepayment Premium Option
- Prepayment Premium Start Date
- Prepayment Premium Term (Months)
- Prepayment Premium End Date
- Yield Maintenance Security Rate
- Security Due Date
- Other Prepayment Premium Description
- Declining Prepayment Premium Formula
- First Payment Date
- Original Amortization Term (Months)
- Interest Type
- Interest Accrual Method
- Last Interest Only Payment Date
- Interest Only Start Date
- Interest Only Term (Months)

Additional Characteristics for ARM Loans

- Convertible
- Conversion Start Date
- Conversion End Date

- Conversion Term (Months)
- Fixed Rate Term
- Fixed Rate End Date
- Adjustable Rate Term
- First Scheduled Rate Change Date
- Next Scheduled Rate Change Date
- Variable Rate Change Frequency (Months)
- Per Rate Change Increase Cap
- Per Rate Change Decrease Cap
- First Scheduled Payment Change Date
- Variable Payment Change Frequency (Months)
- Per Payment Change Increase Cap
- Per Payment Change Decrease Cap
- Note Rate Ceiling
- Note Rate Floor
- Note Rate Rounding Method
- Standard Lookback (Days)
- ARM Index Description
- Issuance ARM Margin
- Negative Amortization Indicator
- Negative Amortization Limit

Supplemental Loan Information

- Prior Lien Position
- Prior Lien Holder
- Prior Lien Current Interest Rate
- Prior Lien Maturity Date
- Prior Lien Amortization Term (Months)
- Prior Lien Monthly Debt Service Amount
- 1st Lien Balance as of Origination Date of 2nd Lien
- Balloon Indicator of 1st Lien

Collateral Information

- Property City
- Property State
- Property Zip Code
- MSA [Metropolitan Statistical Area]
- Year Built
- Underwritten Physical Occupancy
- Property Type
- Land Ownership Rights

- Seismic Zone
- Terrorism Insurance Coverage
- Number of Units
- % of Units for Under 60% Median Income
- % of Units for Under 50% Median Income
- Low Income Housing Tax Credits
- Underwritten Property Value
- Underwritten Net Operating Income
- Taxes Currently Escrowed
- Required Escrow Amount Initial Deposit

Exhibit D

DISCLOSURE METHODOLOGY

We provide to certificateholders the information as reported to us by lenders. Information presented may vary for individual pools. If a lender has delivered mortgages that are not within the parameters that a lender represents and warrants to us, the lender may be obligated to purchase the affected mortgage loans. Certificateholders should make their own conclusions regarding the data provided in the prospectus supplement.

Issuance Note Rates

We provide the then-effective highest and lowest interest rate applicable to any mortgage loan in the pool at the issue date, and a weighted average of those interest rates.

Issuance Unpaid Principal Balances (UPB)

We provide the largest unpaid principal balance and the smallest unpaid principal balance of any mortgage loan in the pool at the issue date, and a simple (not weighted) average of those unpaid principal balances.

Security Maturity Date

We provide the final maturity date of the pool, which is the latest maturity date of the loans in the pool at the issue date.

Weighted Average (WA) Remaining Term to Maturity (Months)

We calculate a weighted average of the calculated maturity date for the mortgage loans in the pool at the issue date. The calculated maturity for a mortgage loan is the number of months remaining until the borrower pays its mortgage loan in full, assuming that a borrower makes all future schedule required payments on time as set forth in the mortgage note but makes no additional prepayment after the date of calculation. The calculated maturity for a loan may be earlier than the maturity date stated in the note if a borrower has made any partial prepayments before the date of calculation.

Number of Loans

We provide the number of loans in the pool at the issue date.

Settlement Date

We provide the date on which the certificates evidencing beneficial interests in the pool were initially delivered to the investor.

Security Funds Transfer Type

We provide the manner in which the security funds were transferred, which is generally by wire transfer.

Transaction Type

We provide the general business line under which the mortgage loans in the pool were purchased (generally, DUS, MFlex or Negotiated Transactions-NT).

Security Type

We specify whether the pool is an MBS or a DMBS.

Pool Subtype

We specify the ARM subtype for the ARM loans in the pool at the issue date.

Seller Name

We provide the name of the seller, which is the entity that delivered the mortgage loans to us. The seller may not have originated the mortgage loans.

Servicer Name

We provide the name of the servicer, which is the entity that is servicing the mortgage loans (after delivery to us) in the pool at the issue date.

Weighted Average Note Rate

For ARM loans in the pool at the issue date, we provide a weighted average of the issue date note rates.

MBS Margins

For ARM loans in the pool at the issue date, we provide the highest and lowest MBS margin applicable to any of the loans, and/or a range from the highest MBS margin to the lowest MBS margin, and a weighted average of those MBS margins.

Pass-Through Rate Method

For ARM loans in the pool at the issue date, we specify the method used to calculate the average pass-through rate, which will be either a weighted average or a simple average of the then-effective highest and lowest pass-through rates applicable to any mortgage loan in the pool at the issue date.

Pass-Through Rates

For ARM loans in the pool at the issue date, we provide the then-effective highest and lowest pass-through rates applicable to any mortgage loan in the pool at that date, and a weighted average of those pass-through rates.

Pool Accrual Rates

For ARM loans in the pool at the issue date, we provide the initial pool accrual rate; a weighted average of the maximum pool accrual rates that would accrue for the pool if all of the underlying mortgage loans were accruing interest at the maximum rate (less total fees) provided in their respective loan documents; and a weighted average of the minimum pool accrual rates that would accrue for the pool if all of the underlying mortgage loans were accruing interest at the minimum rate (less total fees) provided in their respective loan documents. Generally, the weighted average minimum pool accrual rate will not be less than the weighted average of the MBS margins of the mortgage loans in the pool.

Weighted Average (WA) Months to Interest Rate Change

For ARM loans in the pool at the issue date, we provide the weighted average of the longest period and the shortest period until the next interest rate change date applicable to any mortgage loan in the pool at that date.

Net Life Caps

For ARM loans in the pool at the issue date, we provide the highest net life interest rate cap and the lowest net life interest rate cap for any of the loans and/or a range from the highest net life interest rate cap to the lowest net life interest rate cap, and a weighted average of those net life interest rate caps.

Net Life Floors

For ARM loans in the pool at the issue date, we provide the highest net life interest rate floor and the lowest net life interest rate floor for any of the loans, and/or a range from the highest net life interest rate floor to the lowest net life interest rate floor, and a weighted average of those net life interest rate floors.

Initial Rate Change Date

For ARM loans in the pool at the issue date, we provide the first interest rate change date of the mortgage loan in the pool at the issue date that has the earliest first interest change date so long as that date has not passed as of the issue date of the certificates.

Next Rate Change Date Table

For ARM loans in the pool at the issue date, we provide information regarding the next rate change date after the issue date for the mortgage loans in the pool at that date, including the percentage of the pool (by unpaid principal balance) that will have its next rate change date on the listed dates, MBS margin, coupon, and interest rate caps and interest rate floor information.

Weighted Average Months to Roll

For ARM loans in the pool at the issue date, we calculate a weighted average of the number of months until the next interest rate change date for each of the mortgage loans in the pool at the issue date.

Distribution of Loans by First Payment Date

For ARM loans in the pool at the issue date, we provide information regarding distribution of the mortgage loans in the pool at that date by their first payment date and the number of mortgage loans that have each of the listed first payment dates. We also provide the aggregate dollar amount of these mortgage loans.

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

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

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

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

MULTIFAMILY MBS PROSPECTUS

October 1, 2010