Single-Family MBS Prospectus

Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans)

The Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the guaranteed 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 residential mortgage loans that are secured by single-family (one-to four-unit) dwellings, or in a pool of participation interests in loans of that type. The mortgage loans or participation interests are held in a trust created under a trust agreement.

Fannie Mae Guaranty

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

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

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

The date of this Prospectus is February 1, 2012.

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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 or in paper form to parties who request them in accordance with our procedures. The disclosure documents for any particular issuance of certificates are this prospectus and the 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 and corrections regarding mortgage pools through our "PoolTalk®" application or other locations on our Web site. **In determining whether to purchase any issuance of certificates in an initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement and any information that we have otherwise incorporated into these documents by reference. We take no responsibility for any unauthorized information or representation.**

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

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

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

During the first quarter of 2012, on a date to be announced, we expect to make available on our Web site certain loan-level data on mortgage loans that back certificates issued on and after that date. This data, which will be in downloadable form, will be based on information that will be provided to us by the sellers and direct servicers of the mortgage loans and that may not have been independently verified by us. Accordingly, we cannot provide assurance as to the accuracy or completeness of this loan-level data.

On or before February 14, 2012, we will file with the Securities and Exchange Commission ("SEC") our initial report required by Rule 15Ga-1 under the Securities Exchange Act of 1934, as amended (the "ABS 15G report"). The ABS 15G report will disclose information concerning each fulfilled and unfulfilled repurchase request that we have made to third parties for breaches of the representations and warranties concerning the mortgage loans backing most of our outstanding mortgage-related securities. The ABS 15G report will be updated each quarter. The initial and updated ABS 15G reports will be available from the SEC's Web site, www.sec.gov, and at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549.

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

INCORPORATION BY REFERENCE

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

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

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

- our annual report on Form 10-K for the fiscal year ended December 31, 2010 (the "2010 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 2010 Form 10-K until the date of this prospectus, including our quarterly reports on Form 10-Q and our current reports on Form 8-K, but excluding any information 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 the 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, and at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549.

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

SUMMARY

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

Security	Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans).
Issuer and Guarantor	Fannie Mae, a government-sponsored enterprise that was chartered by the U.S. Congress in 1938 under the name "Federal National Mortgage Association" to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. The address of our principal office is 3900 Wisconsin Avenue NW, Washington, DC 20016; the telephone number is 202-752-7000. Fannie Mae has been under conservatorship since September 6, 2008. The conservator, the Federal Housing Finance Agency, succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. For additional information on conservatorship, see "**FANNIE MAE—Regulation and Conservatorship**." Our regulators include the Federal Housing Finance Agency, the U.S. Department of Housing and Urban Development, the SEC, and the U.S. Department of the Treasury. The Office of Federal Housing Enterprise Oversight, the predecessor of the Federal Housing Finance Agency, was our safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008. On September 7, 2008, we entered into a senior preferred stock purchase agreement with the U.S. Department of the Treasury pursuant to which we issued to it one million shares of senior preferred stock and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. **Nevertheless, we alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**
Sponsor and Depositor	We are the sponsor of each issuance of certificates and the depositor of the mortgage loans into each trust.
Description of Certificates	Each certificate will represent a pro rata undivided beneficial ownership interest in a pool of mortgage loans. We will issue the certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. The book-entry certificates will not be convertible into physical certificates.

Minimum Denomination	We will issue the certificates in minimum denominations of $1,000, with additional increments of $1.
Issue Date	The first day of the month in which the certificates are issued.
Settlement Date	No later than the last business day of the month in which the issue date occurs.
Distribution Date	The 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, 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 1, the first distribution date is April 25 or, if April 25 is not a business day, the first business day following April 25.
Maturity Date	The date specified in the prospectus supplement for each issuance of certificates.
Use of Proceeds	We generally issue certificates in exchange for the mortgage loans in the pool backing the certificates. We sometimes issue certificates backed by pools of mortgage loans that we already own, in which case we receive cash proceeds that are generally used for purchasing other mortgage loans or for other general corporate purposes.
Interest	On each distribution date, we will pass through interest on the certificates as follows: • *Pools containing fixed-rate mortgage loans*: one month's interest at the fixed pass-through rate specified in the prospectus supplement. • *Pools containing adjustable-rate mortgage loans*: one month's interest at the then-current variable pass-through rate (referred to as the pool accrual rate). The initial pool accrual rate is specified in the prospectus supplement. Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of interest, the amount of interest distributed to certificateholders on a distribution date will **not** be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a loan while it remains in the trust.
Principal	We receive collections on the mortgage loans on a monthly basis. The period we use to differentiate between collections in one month and collections in another month is called the due period. The due period is the period from and including the second calendar day of the preceding month to and including the first calendar day of the month in which the distribution date occurs. On each distribution date, we will pass through principal of the certificates as follows:

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

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

In its servicing contract with us, each direct servicer chooses whether it will treat a prepayment in full received on the first business day of a month as if the prepayment were received on the last calendar day of the preceding month. If its servicing contract provides that the direct servicer will treat prepayments in full in that way, a prepayment will be passed through to certificateholders on the distribution date in the same month in which the prepayment actually was received. If its servicing contract provides that the direct servicer will not treat a prepayment in full in that way, a prepayment will be passed through to certificateholders on the distribution date in the month following the month in which the prepayment actually was received.

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

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

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

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

Our guaranty runs directly to the trust and not directly to certificateholders. Certificateholders have only limited rights to bring proceedings directly against us to enforce our guaranty. While we are in the current conservatorship, the conservator does not have the right to repudiate our guaranty on the certificates offered by this prospectus. However, if we are placed into receivership, or if we emerge from conservatorship and are then again placed into conservatorship, the receiver or conservator, as applicable, will have the right to repudiate our guaranty on the certificates. See "**RISK FACTORS—RISKS RELATING TO CREDIT**—*Fannie Mae Credit Factors*."

Under certain circumstances, certificateholders have certain limited rights to bring proceedings against the U.S. Department of the Treasury if we fail to pay under our guaranty. The total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see "**THE TRUST AGREEMENT—Certificateholders' 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 direct servicers. In certain cases, we may act as a direct servicer. For a description of our duties as master servicer and the responsibilities of our direct servicers, see "**THE TRUST AGREEMENT—Collection and Other Servicing Procedures**" and "**FANNIE MAE PURCHASE PROGRAM—Servicing Arrangements**."

Business Day .... Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account.

Trust Agreement .... Each issuance of certificates is issued pursuant to the Single-Family Master Trust Agreement effective as of

	January 1, 2009, 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 trust pursuant to the terms of the trust agreement and the related issue supplement.
Paying Agent	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the certificates.
Fiscal Agent	An entity designated by us to perform certain administrative functions for our trusts. The Federal Reserve Bank of New York currently serves as our fiscal agent for the certificates.
Mortgage Pools	Each mortgage pool will contain the types of mortgage loans (or participation interests in mortgage loans) described in the prospectus supplement. Each mortgage loan in a pool will be secured by a first or subordinate lien on a single-family, residential property containing one to four dwelling units (including manufactured housing) or on a share in a cooperative housing corporation representing the right to occupy a residential dwelling.
Mortgage Loans	We acquire mortgage loans from mortgage loan sellers that we have approved. The mortgage loans may have been originated by the seller or may have been acquired by the seller from the originator of the loans, which may or may not be an approved mortgage loan seller. We require each mortgage loan that we acquire to meet our published standards, except to the extent that we have permitted variances from those standards. We may change our standards from time to time. Under certain circumstances, we may acquire and deposit into pools fixed-rate mortgage loans that are refinancings of mortgage loans previously owned by us or held in Fannie Mae MBS trusts without regard to the current loan-to-value ratios of the mortgage loans. Mortgage pools may include the following types of mortgage loans: • Fixed-rate, equal monthly payment, fully amortizing loans • Fixed-rate, equal biweekly payment, fully amortizing loans • Fixed-rate loans with monthly payments of interest only for a specified initial period, followed by fully amortizing equal monthly payments of principal and interest for the remaining loan term

- Fixed-rate loans with a balloon payment due at maturity
- Adjustable-rate, monthly pay, fully amortizing loans
- Adjustable-rate loans with monthly payments of interest only during a specified initial period, followed by fully amortizing monthly payments of principal and interest for the remaining loan term. The loans may bear a fixed rate of interest during all or a portion of the initial interest-only period.

Minimum Pool Size . . . . Unless the prospectus supplement provides otherwise, each of our pools will typically consist of either:

- Fixed-rate loans that generally have an aggregate unpaid principal balance of at least $1,000,000 as of the issue date, or
- Adjustable-rate loans that have an aggregate unpaid principal balance of at least $500,000 as of the issue date.

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

Federal Income Tax Consequences . . . Each 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 mortgage loans included in that pool. Accordingly, each owner will be required to include in income its pro rata share of the entire income from each mortgage loan in the pool, and generally will be entitled to deduct its pro rata share of the expenses of the trust, subject to the limitations described in this prospectus.

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

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

RISK FACTORS

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

RISKS RELATING TO INVESTMENT DECISIONS

The certificates may not be a suitable investment for you.

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

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

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

If a pool holds mortgage loans with loan-to-value ratios greater than 125%, the related certificates are not an eligible investment for a real estate mortgage investment conduit ("REMIC").

A mortgage loan with a loan-to-value ratio in excess of 125% is not a "qualified mortgage" within the meaning of section 860G(a)(3) of the Internal Revenue Code of 1986. As a result, if a pool contains a mortgage loan with a loan-to-value ratio greater than 125%, the certificates evidencing a beneficial ownership interest in the pool will not be an eligible investment for a REMIC.

RISKS RELATING TO YIELD AND PREPAYMENT

Yield

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

Some borrowers may partially or fully prepay the principal on their mortgage loans, thereby reducing or eliminating their outstanding loan balance. In addition, an involuntary prepayment of principal may occur as a result of a casualty or condemnation. For example, if the damage to or destruction of a mortgaged property is wholly or partially covered by insurance, the insurance proceeds may be used to prepay the related mortgage loan rather than repair the property. If a prepayment of principal is made on a loan (whether voluntarily or involuntarily), the outstanding principal balance of the certificates will be reduced by the amount of the prepaid principal. The prepaid principal will be passed through to certificateholders, accelerating the payment of principal on your certificates. The effect of a prepayment of principal may be greater if the loan is an interest-only loan for a portion of its term because distributions on the certificates during the interest-only term will include any unscheduled payments of principal made by the borrower during that time.

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

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

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

Moreover, in the case of certificates purchased at a premium, you may lose money on your investment if prepayments occur at a rapid rate.

Notwithstanding the price you paid for your certificates, if principal payments are faster than you expect, then, depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest those funds at a yield that is equal to or greater than the yield on your certificates. If principal payments are slower than you expect, your ability to reinvest those funds will be delayed. In that case, if the certificates prepay or mature at a time when the yield on your certificates is lower than comparable investments available when you expected to, but did not, receive principal, you will be at a disadvantage by not having as much principal available to reinvest at that time, 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.

Your yield on certificates backed by pools containing adjustable-rate mortgage loans will be affected by changes in the index used to set interest rates on the loans and by limits on the interest rate changes that may be made.

Adjustable-rate mortgage loans ("ARM loans") bear interest at rates that change periodically in response to changes in an index. Some indices respond more quickly to changes in market interest rates than do other indices. As a result, a change in the index value will not necessarily cause an immediate change in the pool accrual rate. All of the loans in a single adjustable-rate pool will have the same index and will adjust with the same frequency (quarterly, semiannually, annually, etc.). The loans in the pool, however, may vary with respect to their mortgage margins and the dates of their interest rate changes. As a consequence, loans in a single pool may have different interest rates. If the interest rates on ARM loans in the pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index. Moreover, the interest rate on many ARM loans changes based on the value of the applicable index at a date days or weeks before the effective date of the change in the loan's interest rate. As a result, in a time of rapidly increasing or decreasing market interest rates, the interest rates on the loans in your pool may not reflect current market interest rates. In addition, many ARM loans have caps and floors that set the maximum and minimum size of periodic interest rate changes and may have lifetime caps and floors that set the maximum and minimum interest rate that a loan may bear over its lifetime. Because certificateholders in pools of ARM loans receive interest at a rate that is the weighted average of the interest rates on the loans in the pool, net of servicing and guaranty fees, any or all of these factors will affect the yield on your certificates.

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

Certain ARM loans permit a borrower to convert the loan to a fixed-rate loan during a specified period of time. Although the trust agreement gives us the option to purchase the loan from the pool upon a conversion, our current policy requires that we purchase the loan from the pool no later than the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price will be the loan's stated principal balance plus one month's interest at the then-current pool accrual rate, which will be passed through to certificateholders on the distribution date in the month following the purchase. The purchase of the loan, therefore, will accelerate the rate of principal payment on your certificates. As a result, the weighted average life of a pool of convertible ARM loans may be significantly shorter than the weighted average life of an otherwise comparable pool of non-convertible ARM loans, and your yield may be adversely affected. See "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Convertible ARM Loans***."

The characteristics of loans may differ within a pool and from pool to pool, causing prepayment speeds to differ for different issuances of certificates.

We purchase mortgage loans with many different characteristics. For a description of these characteristics, see "**THE MORTGAGE LOANS**." We change our loan eligibility requirements and underwriting standards from time to time. A pool may include a mix of loans with differing characteristics and loans originated at different times. This means it is possible that not all the mortgage loans in a particular pool will be subject to the same eligibility and underwriting standards. Moreover, the characteristics of the mortgage loans in one pool may differ significantly from the characteristics of the mortgage loans in another pool. The differences among the loan characteristics and the eligibility and underwriting standards that were applied in the loan purchases may affect the likelihood that a borrower will prepay a loan under various prevailing economic circumstances or the likelihood that a borrower will become delinquent. Thus, these differences may have an effect upon the extent to which the prepayment of a particular issuance of certificates will follow predicted prepayment speeds or average prepayment speeds of otherwise similar certificates issued at the same time.

It is possible that the rate of prepayment of relocation mortgage loans may be higher than that of non-relocation mortgage loans.

A pool may contain relocation mortgage loans made to borrowers whose employers frequently relocate their employees. Thus, the rate of prepayment of these mortgage loans will be influenced by:

- the circumstances of individual employees and employers,
- the characteristics of the relocation programs, and
- the occurrence and timing of the relocation of the borrowers.

It is possible that borrowers under relocation mortgage loans are more likely than other borrowers to be transferred by their employers. If so, relocation mortgage loans could experience a higher rate of prepayment than otherwise comparable non-relocation mortgage loans. Because many unpredictable factors affect the prepayment rate of relocation mortgage loans, we cannot estimate the prepayment experience of these loans. We are unaware of any conclusive data on the prepayment rate of relocation mortgage loans. See "**THE MORTGAGE LOANS—Special Feature Mortgage Loans—*Relocation Loans***."

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

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

The location of real property securing loans in a pool may vary from pool to pool, causing prepayment speeds to differ among different issuances of certificates.

We purchase 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 yield on the certificates.

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

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 mortgage loans at lower rates, they are more likely to refinance their loans. This may be especially true for borrowers that have substantial equity in their homes as a refinancing allows them to take out cash and then refinance their mortgage loans into loans with higher principal balances. The mortgage loans may or may not contain prepayment premiums that discourage borrowers from prepaying. As a result, the loans in your pool may, on average, prepay more quickly than you expect, causing you to receive payments of principal on your certificates more quickly than you expect. Moreover, your certificates may remain outstanding for a shorter period of time than you expect, at a time when reinvestment rates are lower.

Certain actions taken by the federal government may cause interest rates to decline or remain low. In addition, the federal Making Home Affordable Program allows qualified borrowers to refinance mortgage loans that we currently own or guarantee into new mortgage loans and allows existing mortgage insurance to be carried forward to the new loan. Moreover, under the Home Affordable Refinance Program ("HARP"), which is offered under the Home Affordable Program, qualified borrowers may be allowed to refinance mortgage loans into new mortgage loans even if the principal balances of the original loans significantly exceed the current values of the related mortgaged properties. See "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Loans Newly Eligible for Refinancing***." The availability of these programs may increase the number of refinancings of mortgage loans in your pool relative to the number of refinancings that would occur if the programs did not exist.

Mortgage loans with loan-to-value ratios greater than 80% may have different prepayment and default characteristics than conforming mortgage loans generally.

A pool may contain mortgage loans with loan-to-value ratios greater than 80% (an ">80% LTV loan"). Although information is limited regarding the default and prepayment rates for >80% LTV loans, it is possible that loans of this type may experience different rates of default and voluntary prepayment than otherwise comparable loans with lower loan-to-value ratios.

If an >80% LTV loan is refinanced, the refinanced mortgage loan is likely to have a lower interest rate than the predecessor loan, which may make it easier for the related borrower to continue to make monthly principal and interest payments. On the other hand, because the loan-to-value ratios are higher than was customarily the case, borrowers may decide that it is not in their economic interest to continue making monthly payments. We are unable to predict how these factors will affect loan performance. If the mortgage loans go into default and are purchased from the related pool, you will receive a prepayment of principal from the defaulted loans. Accordingly, certificates backed by pools containing >80% LTV loans may be paid more quickly or more slowly than expected, and the weighted average lives of the certificates may be affected, perhaps significantly.

The pool backing your certificates may include mortgage loans that are eligible for refinancing under HARP or other refinancing programs offered through us. If any of the eligible mortgage loans are refinanced, you will receive an early payment of principal on your certificates.

HARP originally permitted the refinancing of qualified >80% LTV loans so long as their loan-to-value ratios did not exceed 125%. HARP guidelines effective December 1, 2011 expanded eligibility to permit the refinancing of qualified >80% LTV loans with current loan-to-value ratios greater than 125% (a "very high LTV loan"). To qualify for a HARP refinancing, a borrower must occupy the mortgaged property, be current in its monthly payments, and have an acceptable payment history over the most recent 12-month period. In addition, the original mortgage loan must be a first-lien, conventional loan that was acquired by us on or before May 31, 2009 and that satisfies certain additional criteria. HARP refinancings must be completed by December 31, 2013. For a further description of HARP, see "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans**." In conjunction with the expansion of eligibility for HARP refinancings, we also revised our Refi Plus refinancing program to permit the refinancing of very high LTV loans if the loans generally meet the HARP requirements. Moreover, our Refi Plus program permits the refinancing of such loans even if they are secured by non-owner occupied properties or if they have loan-to-value ratios less than 80%.

As part of the refinancing efforts required by HARP, our mortgage seller/servicers are permitted to solicit refinancings of eligible borrowers with >80% LTV loans that we own or guarantee, including newly eligible very high LTV loans. These solicitations may be directed to eligible borrowers even if the related seller/servicers are not soliciting refinancings from borrowers more generally so long as they are also soliciting eligible borrowers whose mortgage loans are owned or guaranteed by Freddie Mac. Seller/servicers may be more likely to solicit newly eligible borrowers for refinancings.

As a result of the recently expanded HARP guidelines, a substantial number of additional mortgage loans may now qualify for refinancings under HARP or other Fannie Mae programs. If your pool includes very high LTV loans that we acquired on or before May 31, 2009, and any of these loans are refinanced, you will receive an early payment of principal on your certificates, which will reduce the weighted average life of your certificates and may adversely affect your yield.

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

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

"Jumbo-conforming" mortgage loans, which have original principal balances that exceed our traditional conforming loan limits, may prepay at different rates than conforming balance mortgage loans generally.

Certain pools include "jumbo-conforming" mortgage loans. There is limited historical performance data regarding prepayment rates for jumbo-conforming mortgage loans. If prevailing mortgage rates decline, borrowers with jumbo-conforming mortgage loans may be more likely to refinance their mortgage loans than borrowers with conforming balance loans. This is because a relatively small reduction in the interest rate of a jumbo-conforming mortgage loan can have a greater impact on the borrower's monthly payment than a similar interest rate change for a conforming balance loan. In addition, jumbo-conforming mortgage loans tend to be concentrated in certain geographic areas, which may experience relatively high rates of default in the case of adverse economic conditions. Defaults on jumbo-conforming mortgage loans will result in the pass-through to certificateholders of larger principal prepayments than would result from defaults on conforming balance loans.

Because our authority to purchase certain jumbo-conforming mortgage loans has expired, and our authority to purchase other jumbo-conforming mortgage loans could be withdrawn, borrowers with jumbo-conforming mortgage loans may find it more difficult to refinance these loans. In that case, borrowers with jumbo-conforming mortgage loans may be less likely to refinance their mortgage loans than borrowers with conforming balance loans. See "**THE MORTGAGE LOANS—Special Feature Mortgage Loans—*Loans with Original Principal Balances Exceeding Our Traditional Conforming Loan Limits***."

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

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

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

The loan-to-value ratio disclosed in a prospectus supplement generally is based on the value of the related mortgaged property at the time the mortgage loan was originated. A decline in the value of the mortgaged property after that time will result in a higher loan-to-value ratio for that loan, which may make refinancing of the loan more difficult for the borrower, especially if the loan is not eligible for refinancing under HARP. Thus, these loans on average may prepay more slowly than you expect.

Hybrid ARM loans with long initial fixed-rate periods may be more likely to be refinanced or become delinquent than other mortgage loans.

Certain ARM loans that have long initial fixed-rate periods have the potential for a significant rate increase at the first interest rate change date. Borrowers may be more likely to refinance these loans before a rate increase becomes effective. If a borrower is unable to refinance such a loan and interest rates rise substantially after the initial fixed-rate period, the borrower may find it increasingly difficult to remain current in its scheduled monthly payments following the increase in the monthly payment amount.

Fixed-rate and ARM loans with long initial interest-only payment periods may be more likely to be refinanced or become delinquent than other mortgage loans.

Certain fixed-rate and ARM loans have scheduled monthly payments that consist of only accrued interest for a long period after origination. After the interest-only period, the scheduled monthly payments on those mortgage loans are increased to amounts sufficient to cover accrued interest and to fully amortize the principal balances of the mortgage loans by their respective maturity dates. In particular, for certain ARM loans, borrowers may experience a substantial increase in payments if the first change to the interest rate and payment amount coincides with the end of the interest-only period on that loan. As a result, borrowers may be more likely to refinance those mortgage loans before the scheduled monthly payment increase becomes effective. If a borrower is unable to refinance such a loan, the borrower may find it increasingly difficult to remain current in its scheduled monthly payments following the increase in the monthly payment amount.

Sale of Property / Credit / Purchase Risk

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

If a mortgaged property is sold, the new owner may be unable to assume the existing mortgage loan either because the loan contains a due-on-sale clause or because the new owner is unable to satisfy the requirements for assumption. In that case, the borrower may pay the loan in full, along with any required prepayment premium and, accordingly, you may receive payments of principal on your certificates more quickly than you expect.

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

A mortgage loan may become delinquent for a variety of reasons, many of which are discussed below. If a mortgage loan in your pool becomes delinquent, you may receive a prepayment of principal of your certificate. Under our trust documents, we have the option to purchase a mortgage loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan). Moreover, under certain circumstances that are specified in the trust documents, we have the option to purchase a loan from a pool after the loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period from the first missed payment date through the second consecutive payment date (or fourth consecutive payment date in the case of a biweekly mortgage loan). See "**THE TRUST AGREEMENT—Purchases of Loans from Pools—*Optional Purchases by Guarantor***."

Factors affecting the likelihood of a borrower default on a mortgage loan include the following:

- general economic conditions;
- local and regional employment conditions;
- local and regional real estate markets;
- borrower creditworthiness;
- significant changes in the size of required loan payments;
- a borrower's death or a borrower's change in family status;
- uninsured natural disasters; and
- borrower bankruptcy or other insolvency.

In deciding whether and when to purchase a loan from a pool, we consider a variety of factors, including our legal ability or obligation to purchase loans under the terms of the trust documents; our mission and public policy; our loss mitigation strategies and the exposure to credit losses we face under our guaranty; our cost of funds; the impact on our results of operations; relevant market yields; the accounting impact; the administrative costs associated with purchasing and holding the loans; counterparty exposure to lenders that have agreed to cover losses associated with delinquent loans; general market conditions; our statutory obligations under our Charter Act; and other legal obligations such as those established by consumer finance laws. The weight we give to these factors changes depending on market circumstances and other factors.

In February 2010, we announced our intention to increase significantly our purchases of mortgage loans that are delinquent as to four or more consecutive monthly payments from pools. As of the date of this prospectus, it is our intention to continue to purchase nearly all loans that become delinquent as to four or more consecutive monthly payments, subject to economic, market, operational and regulatory constraints. In general, we intend to conduct these voluntary purchases when it is in our economic interest to do so. In the future, we will continue to review the economics of purchasing loans that are delinquent as to four or more monthly payments and may reevaluate our practices and alter them if circumstances warrant. See "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments Resulting from Servicing Policies and Practices Regarding Troubled Loans*—***_Purchases of Delinquent Loans_" for a discussion of our current servicing policies and practices regarding purchases of delinquent loans.

When a loan is purchased from a pool, its stated principal balance, together with accrued interest, is passed through to the certificateholders on the distribution date in the month following the month of purchase. Thus, our purchase of a delinquent loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment, accelerating the payment of principal on your certificates.

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

At the time that mortgage loans are delivered to us, we require each mortgage loan seller to make representations and warranties about itself and the loans being delivered, including representations and warranties that the loans comply with all applicable federal, state and local laws, including anti-predatory lending laws, and that the loans meet our then-current selling guidelines. In some cases, the lender that sold the loans to our mortgage loan seller may be the party responsible for the accuracy of the representations and warranties relating to the loans. If the representations and warranties were not true when made, we may require our mortgage loan seller or the lender that sold the loans to our mortgage loan seller to purchase the loans from your pool at any time. The affected loans could include some or all of the loans in your pool. For a description of these representations and warranties, see "**FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties**."

When a loan is purchased from a pool, its stated principal balance, together with accrued interest, is passed through to the certificateholders on the distribution date in the month following the month of purchase. Thus, a breach of a representation and warranty resulting in our purchase of a loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment, accelerating the payment of principal on your certificates. See "**THE TRUST AGREEMENT—Purchases of Loans from Pools**."

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

We may purchase a loan from a pool for reasons other than the delinquency of the loan or a breach of a representation and warranty related to the loan. The trust agreement requires that we purchase a loan from a pool upon the occurrence of specified events and gives us the option to purchase a loan from a pool upon the occurrence of other specified events. These events are described in "**THE TRUST AGREEMENT—Purchases of Loans from Pools**."

When a loan is purchased from a pool, its stated principal balance, together with accrued interest, is passed through to the certificateholders on the distribution date in the month following the month of purchase. Thus, our purchase of a loan from your pool would have the same effect on the timing of payment of principal on your certificates as a borrower prepayment, accelerating the payment of principal on your certificates.

Other Prepayments

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

Although an investment in certificates backed by a number of mortgage 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. You should review carefully the prospectus supplement, which provides the number of loans included in a pool, the geographic locations of the mortgaged properties and other general characteristics of the loans. The diversification of a pool may increase or decrease over time due to repayment of loans in the pool, purchases of loans from the pool or substitution of collateral in the pool.

RISKS RELATING TO LIQUIDITY

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

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

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

- our financial condition and rating;
- our future structure, organization, and the level of government support for the company;

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

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

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

The required cap on and subsequent required reduction in our mortgage portfolio assets may adversely affect the liquidity of your certificates.

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

RISKS RELATING TO CREDIT

Fannie Mae Credit Factors

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

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

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

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

As conservator or receiver, the Federal Housing Finance Agency ("FHFA") has certain rights to transfer our assets and liabilities, including our guaranty.

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

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

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

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

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

If FHFA, as a new conservator or as receiver, were to repudiate our guaranty obligations, the conservatorship or receivership estate would be liable for damages as of the date of the new conservatorship or the receivership under the 2008 Reform Act. However, any such liability could be satisfied only to the extent that our assets were available for that purpose. Thereafter, certificateholders would receive from the trust only the amounts paid on the underlying mortgage loans, which are generally limited to borrower payments and other recoveries on the loans. As a result, delinquencies and defaults on the mortgage loans or a direct servicer's failure to remit borrower payments to the trust would adversely affect the amounts that certificateholders would receive each month. In addition, trust administration fees would be paid from mortgage loan payments before any distributions would be made to certificateholders. As a result, any damages paid as the result of the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

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

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

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

Servicer Credit Factors

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

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

FANNIE MAE

General

Fannie Mae is a government-sponsored enterprise that was chartered by Congress in 1938 to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage-backed assets are purchased and sold. Our charter does not permit us to originate loans and lend money directly to consumers in the primary mortgage market. Our most significant activities are securitizing mortgage loans originated by lenders into Fannie Mae mortgage-backed securities and purchasing mortgage loans and mortgage-backed securities for our mortgage portfolio.

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

As discussed below, we are currently in conservatorship.

Regulation and Conservatorship

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

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

The conservatorship has no specified termination date, and there continues to be uncertainty regarding the future of our company, including how long we will continue to exist, the extent of our role in the market, what form we will have, and what ownership interest in us, if any, will be held by our current common and preferred stockholders after the conservatorship is terminated. For more information on the risks to our business relating to the conservatorship and uncertainties regarding the future of our company and business, please see "**RISK FACTORS**" in our most recent Form 10-K.

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

The December 24, 2009 amendment to the senior preferred stock purchase agreement modified the maximum amount of Treasury's funding commitment, providing that the maximum amount will increase as necessary to accommodate any net worth deficits (the amount by which our total liabilities exceed our total assets) for calendar quarters in 2010 through 2012. For any net worth deficits after December 31, 2012, Treasury's maximum remaining funding commitment at any determination date will be $124.8 billion ($200 billion less our cumulative draws through March 31, 2010, which related to calendar years 2008 and 2009) ***less*** the *smaller* of *either* (a) our positive net worth as of December 31, 2012, *or* (b) our cumulative draws from Treasury for the calendar quarters in 2010 through 2012. We issued 1,000,000 shares of senior preferred stock to Treasury pursuant to the senior preferred stock purchase agreement.

The other agreement with Treasury is a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae (the "warrant") on a fully diluted basis. The senior preferred stock and the warrant were issued as an initial commitment fee for Treasury's commitment. The senior preferred stock purchase agreement and the warrant contain covenants that significantly restrict our operations and that are described in our 2010 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 under 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 will increase to 12% annually, and the unpaid dividend would accrue and be added to the liquidation preference of the senior preferred stock.

We are dependent upon the continued support of Treasury to eliminate our net worth deficit, which avoids our being placed into receivership. Based on consideration of all of the relevant conditions and events affecting our operations, including our dependence on the U.S. Government, we continue to operate as a going concern and in accordance with our delegation of authority from FHFA. We remain liable for all of our obligations, including our guaranty obligations, associated with the certificates and other mortgage-backed securities issued by us. The senior preferred stock purchase agreement is intended to enhance our ability to meet our obligations. Certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see "**THE TRUST AGREEMENT—Certificateholders' Rights Upon a Guarantor Event of Default**."

Possibility of Future Receivership

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

A receivership would terminate the conservatorship. The appointment of FHFA as our receiver would not only grant FHFA the powers that it currently has as our conservator but would also terminate all rights and claims that certificateholders may have against our assets or under our charter arising from their status as certificateholders, other than their right to payment, resolution or other satisfaction of their claims as permitted under the 2008 Reform Act. Unlike a conservatorship, the purpose of which is to conserve our assets and return us to a sound and solvent condition, the purpose of a receivership is to liquidate our assets and resolve claims against us.

USE OF PROCEEDS

We usually issue certificates in swap transactions, in which the certificates are issued in exchange for the mortgage loans in the pool that backs the certificates. In some instances, we may issue certificates backed by pools of mortgage loans that we already own. (We refer to such pools as "portfolio pools.") If we sell the certificates backed by a portfolio pool, we generally receive cash proceeds. Unless otherwise stated in the prospectus supplement, we apply the cash proceeds to the purchase of other mortgage loans and for other general corporate purposes.

DESCRIPTION OF THE CERTIFICATES

This prospectus relates to certificates issued on and after February 1, 2012, which are issued under our 2009 Single-Family Master Trust Agreement, effective January 1, 2009 (as amended or replaced from time to time, the "trust agreement"). For information about certificates issued before February 1, 2012, see the related MBS prospectus that was in effect at the time those certificates were issued. There is a specific issue supplement to the trust agreement for each issuance of certificates. We refer to the trust agreement and the related issue supplement for an issuance of certificates as the "trust documents."

The Certificates

General

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

Occasionally, if so stated in the prospectus supplement, the certificates represent fractional undivided beneficial ownership interests in a pool of participation certificates, rather than in a pool of whole mortgage loans. We will hold the participation certificates, in our capacity as trustee under the trust documents, 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. 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 other financial intermediaries in the chain between the certificateholder and the beneficial owner are responsible for establishing and maintaining accounts for their customers. A "beneficial owner" or an "investor" is anyone who acquires a beneficial ownership interest in the certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary that maintains an account for you.

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

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

Distributions on Certificates

We will make distributions to certificateholders on the 25th day of each month or, if the 25th day is not a business day, on the next business day. We refer to this date as a distribution date. In certain cases, the first distribution for an issuance of certificates may consist of only interest (with no principal) from one or more loans in the related pool. See "***—Principal Distributions***." We will make the first payment for each issuance of certificates on the distribution date in the month following the month in which the certificates are issued. For example, if an issue date is March 1, the first distribution date for that issuance is April 25 or, if April 25 is not a business day, the next 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 a district where a 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 immediately preceding the month in which the distribution date occurs.

Interest Distributions

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

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

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

Interest Accrual Basis

We will calculate the amount of interest due each month on the certificates by assuming that each month consists of 30 days and each year consists of 360 days (a "30/360 basis"). We calculate interest in this way even if some or all of the mortgage loans in the pool provide that interest is calculated on a different basis, such as simple interest. Simple interest, also called daily interest, means that interest on the mortgage loans is calculated daily based on the actual number of days in each month with a year consisting of 365 days (or 366 days, as applicable) and the assumption that the borrower's payment is credited on the date it is received.

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

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

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

Whether the first distribution on your pool includes principal from any particular amortizing mortgage loan in the pool depends upon the date on which the mortgage loan was deposited into the pool. The following example assumes that an amortizing mortgage loan was originated in March with the borrower's first principal payment due on May 1:

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

The prospectus supplement will indicate the percentage of mortgage loans in a pool, if any, that have no scheduled principal payment due until the second due period after the issue date of the certificates.

In its servicing contract with us, each of our direct servicers has chosen whether it will treat a prepayment in full received on the first business day of a month as if the prepayment were received on the last calendar day of the preceding month. If its servicing contract provides that the direct servicer will treat prepayments in full in that way, a prepayment will be passed through to certificateholders on the distribution date in the same month that the prepayment actually was received. (For example, under this method, a prepayment received on February 1 would be treated as if it had been received on January 31 and would be passed through to certificateholders on February 25, or the next business day if February 25 is not a business day.) If its servicing contract provides that the direct servicer will not treat a prepayment in full in that way, a prepayment will be passed through to certificateholders on the distribution date in the month following the month in which the prepayment was received. (For example, under this method, a prepayment received on February 1 would be passed through to certificateholders on March 25, or the next business day if March 25 is not a business day.)

If a mortgage loan in your pool provides that interest is calculated on a daily or simple interest basis, the scheduled principal payment for that mortgage loan will equal the amount of principal that would have been due on the mortgage loan under an amortization schedule that assumes interest accrues monthly on a 30/360 basis instead of a daily or simple interest basis.

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

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

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

Reports to Certificateholders

Monthly Reports

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

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

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

Tax Information

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

THE TRUST AGREEMENT

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

Fannie Mae Guaranty

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

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

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, we guarantee payment of an interest amount at the then-current variable pool accrual rate.

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

If a direct servicer informs us that a borrower has become subject to the Servicemembers Civil Relief Act or any similar federal or state laws (a "Relief Act"), and we have not exercised our option to purchase the loan from the pool (as described below), we will make payments to the trust under our guaranty for the difference between the amount of interest actually received from the borrower and the amount of interest calculated without regard to the Relief Act.

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

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

Our guaranty runs directly to each trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Certificateholders also have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. The amount that may be recovered from Treasury is subject to limits imposed by the senior preferred stock purchase agreement. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see "**—Certificateholders' 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.

Purchases of Loans from Pools

Under the trust agreement, we are required in some instances and have the option in other instances to purchase from a pool a mortgage loan or real estate acquired as a result of a default ("real estate owned property" or "REO property"). Moreover, under certain conditions, we have the right to require a seller to purchase a mortgage loan from a pool. In each instance, the purchase price for a mortgage loan will be equal to the stated principal balance of the loan plus one month's interest at the pass-through rate for a fixed-rate loan or at the then-current pool accrual rate for an ARM loan. The purchase price for REO property will be equal to the stated principal balance of the related mortgage loan plus one month's interest at the pass-through rate or pool accrual rate that would have applied if the loan were still outstanding. The purchase of a mortgage loan or REO property will result in a prepayment of principal in full in the same manner as would a borrower's prepayment in full. **See "RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—*Yield*."**

Mandatory Purchases by Issuer

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

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

- we, a court or our regulator determines that our acquisition of the mortgage loan was unauthorized;
- a court or governmental agency requires us to purchase the mortgage loan from the pool to comply with applicable law;

- a governmental agency or court requires:
  - o the transfer of the mortgage loan or mortgaged property (other than a transfer to a co-borrower or a transfer permitted under the loan documents or the trust agreement), including a transfer required as a result of an environmental hazard or as part of a settlement of a legal controversy, or
  - o the full or partial destruction of any improvements located on the mortgaged property if, as a result, the remaining improvements are rendered uninhabitable or unsafe or the value of the property no longer provides adequate security for the mortgage loan; or
- an insurer or guarantor (other than Fannie Mae under our guaranty) of the mortgage loan or the mortgaged property requires transfer to it of the mortgage loan or the REO property to obtain the benefits of the mortgage insurance or guaranty.

Second, for certain pools (designated by prefix, subtype, or special disclosure), we must purchase, or require the seller of the mortgage loan to purchase, the affected loan from a pool before the effective date of any of the following events:

- a borrower elects to convert an ARM loan to a fixed-rate mortgage loan pursuant to the terms of the related mortgage note;
- a borrower elects to change the applicable index for an ARM loan pursuant to the terms of the related mortgage note;
- a borrower exercises a conditional modification option in the related mortgage documents (other than a modification resulting from a transfer or assumption that is permitted under the mortgage documents or the trust agreement), if giving effect to the modification would
  - o reduce the principal balance of the mortgage loan below its stated principal balance,
  - o change the interest rate on the mortgage loan to the extent that the change would affect the pass-through rate, pool accrual rate, or the securitized excess servicing or any excess servicing that has been identified for later securitization (unless we own the excess spread identified for later securitization), or
- delay the timing of payments beyond the scheduled maturity date of the mortgage loan;
- the direct servicer and the borrower have agreed to a modification of the mortgage loan in lieu of a refinance as part of the direct servicer's borrower retention strategy (provided that the mortgage loan is not in payment default); or
- the mortgage margin or the maximum or minimum interest rate on an ARM loan changes as a result of an assumption of the loan by a new borrower.

Third, if the mortgage loan is in default with respect to payments of principal and interest, we must purchase the affected loan from the pool not later than the day on which the mortgage loan becomes 24 months past due, measured from the date on which the last installment of interest and, if required, principal was paid in full, unless one of the following has occurred or is occurring with respect to the mortgage loan:

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

- applicable law (including bankruptcy law, probate law or a Relief Act) requires that foreclosure on the related mortgaged property or other legal remedy against the borrower or related mortgaged property be delayed and the period for delay or inaction has not elapsed;
- the mortgage loan is in the process of being assigned to the insurer or guarantor (other than to Fannie Mae pursuant to our guaranty) that provided any related mortgage insurance; or
- any other event occurs or course of action is taken as a result of which the period before the required purchase of the mortgage loan from the pool may be extended without adverse tax consequences to the trust (as evidenced by an opinion of tax counsel satisfactory in form and substance to the issuer and the trustee).

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

Optional Purchases by Issuer

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

- the existence of a material breach of a representation or warranty relating to the mortgage loan that was made in connection with the sale of the 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;
- 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) under circumstances that would trigger acceleration under a due-on-sale provision reasonably believed by either the master servicer or direct servicer to be enforceable under the terms of the mortgage note and the trust agreement; or
- the master servicer or trustee is advised by counsel (other than inside counsel and employees of the transferor with respect to the trust) that removal of the mortgage loan from the trust is necessary or advisable to preserve the fixed investment trust status of the trust for federal income tax purposes.

Optional Purchases by Guarantor

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

- the mortgage loan has been in a state of continuous delinquency without having been fully cured with respect to payments required by the related mortgage loan documents during the period extending from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan), without regard to
  - o whether any particular payment was made in whole or in part during the period extending from the earliest payment date through the latest payment date,
  - o any grace or cure period with respect to the latest such payment date under the related mortgage documents, and
  - o any period during which a loss mitigation alternative is in effect (unless the loss mitigation alternative is deemed to have cured the payment default, in which case the previous delinquency with respect to the mortgage loan will be disregarded for purposes of calculating future delinquency on the mortgage loan);

- the mortgage loan has been in a state of continuous delinquency without having been fully cured with respect to payments required by the related mortgage loan documents during the period extending from the first missed payment date through the second consecutive payment date (or fourth consecutive payment date, in the case of a biweekly mortgage loan), without regard to
  - o whether any particular payment was made in whole or in part during the period extending from the earliest payment date through the latest payment date,
  - o any grace or cure period with respect to the latest such payment date under the related mortgage documents, and
  - o any period during which a loss mitigation alternative is in effect (unless the loss mitigation alternative is deemed to have cured the payment default, in which case the previous delinquency with respect to the mortgage loan will be disregarded for purposes of calculating future delinquency on the mortgage loan);

provided, however, that we may purchase a mortgage loan pursuant to this provision only if, in connection with loss mitigation efforts, the master servicer or the direct servicer concludes, in its reasonable judgment and after evaluating a borrower's financial condition as well as the circumstances affecting the related mortgaged property, that a loss mitigation measure having one or more of the following effects (or that is otherwise impermissible under the trust agreement) is appropriate:

  - o the loss mitigation measure would reduce the principal balance of a mortgage loan below its stated principal balance,
  - o the loss mitigation measure would change the note rate to the extent the change would affect the pass-through rate, pool accrual rate, or the securitized excess servicing or excess servicing that has been identified for later securitization (unless we own the identified excess spread),
  - o the loss mitigation measure would delay the time of payment beyond the last scheduled payment date of that mortgage loan (subject to certain provisions set forth in the trust agreement), or
  - o the related mortgaged property is acquired by the trust as REO property;

- a court approves a plan that:*
  - o 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
  - o authorizes the transfer or substitution of all or part of the related mortgaged property;
- compliance with applicable laws (including a Relief Act) requires a change in any of the terms of the mortgage loan (including a change in its interest rate, its principal balance, its amortization schedule, the timing of payments or its last scheduled payment date);* or
- the mortgage loan is no longer secured by the related mortgaged property and, as a result, the maturity of the mortgage loan is accelerated).*

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* Purchases of loans from portfolio pools for this reason may be made only during a limited period. See "***—Limitations on Timing of Certain Optional Purchases for Portfolio Pools***." See "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Prepayments Resulting from Servicing Policies and Practices Regarding Troubled Loans***" for a more complete discussion of loss mitigation measures used by us and our direct servicers.

In deciding whether and when to purchase a loan from a pool in our capacity as issuer or guarantor, we consider a variety of factors, including our legal ability or obligation to purchase loans under the terms of the trust documents; our mission and public policy; our loss mitigation strategies and the exposure to credit losses we face under our guaranty; our cost of funds; the impact on our results of operations; relevant market yields; the accounting impact; the administrative costs associated with purchasing and holding the loans; counterparty exposure to lenders that have agreed to cover losses associated with delinquent loans; general market conditions; our statutory obligations under our Charter Act; and other legal obligations, including those established by consumer finance laws. The weight we give to these factors changes depending on market circumstances and other factors.

Limitations on Timing of Certain Optional Purchases from Portfolio Pools

The trust agreement limits the time period in which we, in our role as guarantor, may choose to purchase a mortgage loan from a portfolio pool if the mortgage loan is eligible for purchase for one of the reasons listed in "***—Optional Purchases by Guarantor***" and marked with *. In that case, we may purchase the mortgage loan only during a period beginning on the first day of the fiscal quarter immediately following the fiscal quarter in which we receive notice of the reason for the purchase and ending on the last day of that fiscal quarter. For example, if we receive notice on January 2 of a bankruptcy plan affecting a mortgage loan and choose to purchase that loan, we may purchase the mortgage loan only during the period beginning on April 1 and ending on June 30 of the same year.

Purchases to Modify Performing Loans

We allow lenders to purchase from a pool and then modify certain non-performing loans under terms specified in our trust agreement and pursuant to our servicing policies and procedures. We generally prohibit a lender from (i) purchasing a performing mortgage loan from a pool for the purpose of making loan modifications, or (ii) modifying a performing mortgage loan that is in a pool. Nevertheless, we make an exception in the case of certain pools of ARM loans. If so permitted in a lender's servicing contract with us, the lender may purchase performing ARM loans from these pools to modify the loans as part of the lender's borrower retention strategy. The lender's purchases, however, must comply with our policy prohibiting lenders from specifically targeting in their solicitations borrowers whose performing loans are in our pools. Notwithstanding the foregoing, lenders are permitted to solicit refinancings from borrowers whose performing loans are in our pools under the circumstances discussed in "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Loans Newly Eligible for Refinancing***."

Loans that are modified must first be purchased from the related pool, which will result in early prepayments of principal on the certificates in the same manner as borrower prepayments in full. We will specify in a prospectus supplement and by a separate subtype designation if a pool of performing ARM loans is subject to purchase for the purpose of modification. See "**THE MORTGAGE POOLS—Pool Prefixes and Subtypes**" for information about subtype designations.

Substitution of Mortgage Loans in Pools

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

- there is a material breach of a representation or warranty made in connection with the sale of that loan to us,
- there is a material defect in the related mortgage loan documents, or
- the loan does not conform in any material respect to the description contained in the applicable prospectus or prospectus supplement or in the related trust issue supplement.

Each substitution must take place within the same due period in which the withdrawal occurs. In addition, each substitution must occur within two years from the issue date of the related certificates, in the case of an event described in the first or second bullet point above, or within 90 days from the issue date of the related certificates, in the case of the third bullet point above.

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

- the substitute loan is not delinquent as to any payment;
- the substitute loan's outstanding principal balance does not exceed the stated principal balance of the withdrawn loan at the time of the withdrawal;
- the mortgaged property securing the substitute loan is located in the same state or U.S. territory as the mortgaged property securing the withdrawn loan;
- if the withdrawn loan has a fixed rate of interest, the substitute loan has a fixed rate of interest that is not less than the interest rate of the withdrawn loan;
- if the withdrawn loan is an ARM loan, the substitute loan is an ARM loan with (1) the same or a similar adjustment index, (2) the same frequency of adjustments, and (3) margin, interest rate caps and payment caps that are each within 1% of those of the withdrawn loan;
- if the withdrawn loan is an interest-only loan, the substitute loan is an interest-only loan with the same or a substantially similar interest-only period;
- if the withdrawn loan is a negative amortization loan, the substitute loan is a negative amortization loan;
- the substitute loan has a last scheduled payment date 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 government mortgage loan, the substitute loan is a government mortgage loan under the same governmental program with the same type of insurance or guaranty; and
- if the withdrawn loan is a participation interest in a loan, the substitute loan is a participation interest in a loan

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 first day of the month of substitution, together with one month's interest on that excess principal amount calculated at the net rate on the withdrawn loan. (The net rate equals, for a fixed-rate loan, the pass-through rate for the related pool, and for an adjustable-rate loan, the loan interest rate minus the spread rate specified in the related issue supplement.)

Collection and Other Servicing Procedures

We are responsible as the master servicer under the trust agreement for certain duties. Our duties include entering into contracts with direct servicers to service the mortgage loans, supervising and monitoring the direct servicers, ensuring the performance of certain servicing functions if the direct servicer fails to do so, establishing certain procedures and records for each trust, and taking additional actions as set forth in the trust agreement. Any of the duties of the direct servicer may also be performed by the master servicer. The direct 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 direct servicer requirements. Our direct servicers may contract with subservicers to perform some or all of the servicing activities. In addition, we may, from time to time, acquire the servicing rights and become the direct servicer for mortgage loans, in which case we may use a subservicer to conduct the servicing functions. If the servicing rights are transferred to us, the disclosure in our ongoing disclosures for a particular pool will specify "Fannie Mae" as the servicer.

Custodial Accounts

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

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

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

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

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

Certificate Accounts

Our direct 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 currently invest substantially all funds in certificate accounts in our own debt instruments. If we were unable or unwilling to continue to do so, the timing of incremental intra-day distributions made on each distribution date could be affected. We are entitled to retain all earnings on funds on deposit in each certificate account as a trust administration fee. See "**—Certain Matters Regarding Our Duties as Trustee**" for a description of the trust administration fee. Direct servicers and certificateholders are not entitled to any earnings generated from funds in a certificate account and are not liable for any losses in a certificate account.

Master Servicer

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

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

Removal of Successor Master Servicer

If Fannie Mae is no longer serving as the master servicer and a successor master servicer has been appointed, the 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 remit, or cause a direct servicer to remit, funds for deposit to a certificate account on the applicable remittance date for payment to certificateholders, and the failure continues uncorrected for one business day after written notice of the failure has been given to the master servicer by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer fails to perform in any material respect any of its other covenants and agreements, and the failure continues uncorrected for 60 days after written notice of the failure has been given to the master servicer by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer ceases to be eligible to serve as master servicer under the terms of the trust agreement; or
- the successor master servicer becomes insolvent, a conservator, receiver or liquidator is appointed (either voluntarily or involuntarily and in the case of an involuntary appointment, the order appointing the conservator, receiver or liquidator has been undischarged or unstayed for 60 days) or the successor master servicer admits in writing that it is unable to pay its debts.

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

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

Certain Matters Regarding Our Duties as Trustee

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

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

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

We may resign from our duties as trustee under the trust agreement upon providing 90 days' 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 a trust. See "**—Guarantor Events of Default**." In that case, we can be removed (and then replaced by a successor trustee) as to the related trust by holders of certificates representing at least 51% of the voting rights of that trust. Even if our duties as trustee under the trust agreement terminate, we would continue to be obligated under our guaranty.

Removal of Successor Trustee

If Fannie Mae is no longer serving as the trustee and a successor trustee has been appointed, the 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 to the trustee of nonpayment and a demand that the failure be cured has been given to the trustee by either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of certificates representing at least 5% of the voting rights of the related trust;
- the successor trustee fails to fulfill any of its other obligations under the trust agreement or the related issue supplement, and the failure continues uncorrected for 60 days after written notice to the trustee of the failure and a demand that the failure be cured has been given to the trustee by either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor trustee ceases to be eligible to serve as trustee under the terms of the trust agreement and fails to resign;

- the successor trustee becomes substantially incapable of acting as trustee, or a court or the regulatory entity that has primary supervisory authority over the successor trustee determines, under applicable law and regulation, that the successor trustee is unable to remain as trustee; or

- the successor trustee becomes insolvent, a conservator or receiver is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order appointing the conservator or receiver has been undischarged or unstayed for 60 days) or the successor trustee admits in writing that it is unable to pay its debts.

If any of the trustee events of default occurs with respect to a trust and continues uncorrected, the guarantor (or if a guarantor event of default has occurred and is continuing, the master servicer) may, and if directed by holders of certificates representing at least 51% of the voting rights of the related trust will, remove the 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 and a demand that the failure be cured have been given to us by the holders of certificates representing at least 5% of the voting rights of the related trust;

- we fail in any material way to fulfill any of our other obligations under the trust agreement or the related issue supplement, and our failure continues uncorrected for 60 days after written notice of the failure and a demand that the failure be cured have been given to us by the holders of certificates representing at least 25% of the voting rights of the related trust; or

- we become insolvent, a receiver or a new conservator is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order appointing the receiver or new conservator has been undischarged or unstayed for 60 days) or we admit in writing that we are unable to pay our debts.

Certificateholders' Rights Upon a Guarantor Event of Default

Right to Institute a Proceeding Against the Trustee

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

- the holders of certificates representing at least 25% of the voting rights of the related trust have requested in writing that the trustee institute the proceeding in its own name as trustee; and

- the trustee 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.

Right to File a Claim Against Treasury

Certificateholders are given no right under the trust documents to take any action against Treasury if amounts are due but unpaid under our guaranty. Under the senior preferred stock purchase agreement, certificateholders are given certain limited rights against Treasury if (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 for relief in the U.S. Court of Federal Claims, requiring Treasury to fund up to the ***lesser*** of

(1) the amount necessary to cure the payment default, ***or***

(2) the "available amount" under the agreement as of the last day of the immediately preceding fiscal quarter (the "determination date"), which is defined as follows:

- Through December 31, 2012, the "available amount" is defined as the deficiency amount, which is, as of any determination date, the amount, if any, by which our total liabilities exceed our total assets, in each case as reflected on our balance sheet, prepared in accordance with GAAP, for the applicable fiscal quarter.
- After December 31, 2012, the "available amount" is computed by first determining whether or not we have a positive net worth as of December 31, 2012:
    - o If we do not have a positive net worth as of December 31, 2012, the "available amount" of funding from Treasury under the senior preferred stock purchase agreement after 2012 will be $124.8 billion ($200 billion less $75.2 billion in cumulative draws for net worth deficiencies attributable to periods through December 31, 2009).
    - o If we have a positive net worth as of December 31, 2012, the "available amount" of funding from Treasury under the senior preferred stock purchase agreement after 2012 is computed by next determining the size of that positive net worth relative to the cumulative draws for net worth deficiencies attributable to periods during 2010, 2011 and 2012 (the "2010-2012 cumulative draws"), as follows:
        - If our positive net worth as of December 31, 2012, is less than the 2010-2012 cumulative draws, the "available amount" of funding will be $124.8 billion less our positive net worth as of December 31, 2012.
        - If our positive net worth as of December 31, 2012, is greater than the 2010-2012 cumulative draws, the "available amount" of funding will be $124.8 billion less the 2010-2012 cumulative draws

Future Limitations on Certificateholders' Rights under the Trust Agreement

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

Voting Rights

Solely for purposes of giving any consent pursuant to the trust agreement, if any certificate is beneficially held by a party, including us, determined under applicable accounting rules to be the transferor (including its affiliates or agents) of mortgage loans, the certificate will be disregarded and deemed not to be outstanding for purposes of determining voting rights. As a result, the voting rights to which that party is entitled will not be taken into account in determining whether the requisite percentage of voting rights necessary to effect any such consent has been obtained, except with respect to matters involving an event of default by the guarantor or matters requiring unanimous consent of the certificateholders. If, however, the party determined to be a transferor owns 100% of the certificates of that issuance of certificates, the certificates owned by the party may be voted without restriction.

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 master servicer or 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, unless we, as guarantor, are also a transferor with respect to that trust. If, however, we, as guarantor, beneficially own 100% of that issuance of certificates, the certificates owned by us, as guarantor, may be voted by us without restriction.

Amendment

No Consent Required

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

- correct an error or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or a prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that such cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents; or
- modify the trust documents to maintain the fixed investment trust status of a trust for federal income tax purposes.

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

100% Consent Required

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

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

51% Consent Required

We may amend the trust documents for any reason other than the reasons set forth in "***—100% Consent Required***" with the consent of holders of certificates with aggregate certificate principal balances of at least 51% of the aggregate certificate principal balance of an issuance of certificates.

Termination

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

Merger

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

YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS

Effective Yield

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

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

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. 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. A complete description of fixed-rate loans and their characteristics and of pools containing fixed-rate loans may be found in "**THE MORTGAGE LOANS—Fixed-Rate Mortgage Loans**."

Yield of Adjustable-Rate Certificates

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

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

- ***The index.*** All ARM loans in a single pool have the same index, which will be identified in the prospectus supplement.

- ***Initial fixed-rate period.*** The ARM loans in a pool may have an initial interest rate that is not based on the index. If so, and if the first interest rate change date on any loan in the pool has not occurred before the issue date of the certificates, the certificates will have an initial pool accrual rate that does not reflect the index. The pool accrual rate will not reflect the index until all of the loans in the pool have had their first interest rate change date. In some pools, not all of the loans 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.*** The mortgage margin for each ARM loan in a pool is a rate of interest specified in the related mortgage note. On each interest rate change date, the interest rate on each ARM loan is adjusted to equal the sum of the mortgage margin and the index value determined as of a recent date as specified in the mortgage note. The result may be rounded according to the rounding convention stated in the mortgage note (usually to the nearest, next lower or next higher 1/8 or 1/4 of 1%).

- ***Index change frequency.*** If the interest rates on the ARM loans in a pool change less frequently than the index value, changes in the effective yield on the certificates will lag behind changes in the index. Thus, a change in the index value does not necessarily cause an immediate change in the pool accrual rate. The pool accrual rate is affected only as, and to the extent that, the ARM loans in the pool experience interest rate changes.

- ***Interest rate change date.*** Some or all of the ARM loans in a pool may have different rate change dates. As a result, the index values upon which the interest rate changes on ARM loans are based may vary among the loans in a pool at any given time.

- ***Lookback period.*** The lookback period for an ARM loan in a pool creates a lag (usually 45 days, unless the prospectus supplement specifies otherwise) between the index value upon which interest rate changes on the loan are based and the index value in effect at the time the interest rate on the loan actually adjusts.

- ***Interest rate cap and floor.*** Following a change in the index value, interest rate caps and floors may prevent the interest rate on ARM loans in a pool from increasing as high or declining as low as they would have had there been no interest rate caps or floors. As a result, the yield paid on the certificates usually is affected whenever ARM loans in a pool are subject to interest rate caps or floors.

- ***Convertible loans:*** Some ARM loans permit the borrowers to convert the loans to fixed-rate loans. If a borrower exercises such a conversion option, we will purchase the ARM loan from the pool before the conversion date.

- ***Prepayments and purchases of loans from pools.*** A pool may contain ARM loans with different interest rates. Certificateholders receive a rate of interest that is equal to the weighted average of the loan interest rates less the fee percentage (the sum of the servicing fee and our guaranty fee) on the loans. (Weighting is based on the stated principal balance of each ARM loan then remaining in the pool.) Thus, the resulting rate of interest for certificateholders will change whenever an ARM loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases among loans of different interest rates may increase or decrease the effective yield to certificateholders.

- ***Low initial interest rates.*** In some cases, prevailing market interest rates may be so low that the initial interest rate for an ARM loan in a pool is less than the applicable mortgage margin specified in the mortgage note. As a result, the interest rate on 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 have occurred, depending on any periodic interest rate caps that apply to the loan. Because the amount of interest distributed to certificateholders before payment changes on the ARM loans is based on the initial interest rates for the ARM loans in the pool, certificateholders may receive less interest than they would have received if the amount of interest was based on the applicable MBS margin (the mortgage margin of a loan less the fee percentage on that loan).

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

Maturity and Prepayment Considerations

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

Prepayments of 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 refer to our most recent Form 10-K for recent information regarding the prepayment experience of our mortgage loan portfolio. This prepayment experience is not, however, indicative of any one pool of mortgage loans, including the pool backing your certificates.

Amortizing Mortgage Loans

Fully amortizing loans with equal monthly payments include both fixed-rate loans and ARM loans that are reamortized each time a payment is adjusted. In the early years of these loans, most of the monthly payment is allocated to interest. In later years, a greater portion of the monthly payment is allocated to principal. For example, for a fully amortizing loan with equal monthly payments and an original term to maturity of 30 years: if the borrower makes all scheduled payments (but no prepayments), one-half of the original principal balance of the loan will be repaid by the 20th to 23rd year of the loan, depending on the interest rate of the loan. (Higher interest rates result in a slower scheduled amortization of principal.) For a fully amortizing loan with equal monthly payments and an original term to maturity of 15 years: if the borrower makes all scheduled payments (but no prepayments), one-half of the original principal balance of the loan will be repaid by the 8th to 10th year, again depending on the interest rate of the loan. (These examples assume interest rates in the 4% to 7% range.)

Balloon loans have equal monthly payments that are calculated on the basis of an amortization schedule (generally 30 years) that is a longer period of time than the contractual term-to-maturity of the loan (typically 7 to 10 years). The remaining principal balance becomes due in a lump sum 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.

Interest-Only Mortgage Loans

Some mortgage loans provide for the payment of interest only for an initial period. After this initial period, the payments will include principal and interest, with the payments set at an amount that permits the principal balance of the loan to fully amortize over the remaining term.

There is no scheduled amortization of principal during the interest-only period. As a result, assuming no prepayments by the borrower, the loan amortizes more slowly than does a loan of the same term and interest rate that provides for monthly payments of principal and interest for its entire term. Certificateholders whose certificates are backed by pools of interest-only loans will receive only interest during the initial period, except to the extent of borrower prepayments during the initial period. Any borrower prepayments of principal will be passed through to certificateholders, resulting in earlier than anticipated receipt of principal.

Convertible ARM Loans

Some ARM loans permit the borrowers to convert the loans to fixed-rate loans. If a borrower exercises any such conversion option, we will purchase the ARM loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate of interest. The purchase price for the loan will equal its stated principal balance plus one month's interest at its then-current pool accrual rate. The stated principal balance of that mortgage loan will be passed through to certificateholders, reducing the outstanding principal balance of the certificates, on the distribution date in the month following the month of purchase. As a result, the weighted average lives of the certificates for a pool of convertible ARM loans may be significantly shorter than for a comparable pool of non-convertible ARM loans.

ARM Loans Permitting Rate Changes Upon An Assumption

ARM loans generally permit the purchaser of the related mortgaged property to assume the loan, provided that the purchaser is creditworthy. In some cases, the mortgage loan documents provide that at the time of the assumption, the maximum and minimum interest rates, the mortgage margin or the amount of the monthly payment may be reset to take into account then-prevailing market conditions. If such an ARM loan is assumed, we will purchase the loan from the pool before the effective date of the reset.

Biweekly Mortgage Loans

Most mortgage loans provide for monthly payments by the borrower. Biweekly mortgage loans, however, provide for payments by the borrower every 14 days. The biweekly payment is one-half of the amount that would have been due on an otherwise identical loan with 12 equal monthly payments. Because payments are made every 14 days, 26 payments are made per year (27 payments in some years), which is equivalent to making one additional monthly payment (1 1/2 monthly payments in some years) on a comparable monthly payment loan. Because the principal balance of a biweekly mortgage loan is reduced every 14 days, the total dollar amount of payments made by a borrower on a biweekly loan in a year is greater than the total dollar amount of payments that would be made by a borrower on an otherwise identical monthly payment loan in a year. As a result, a biweekly mortgage loan will be paid down more quickly than an otherwise identical monthly payment loan, all other factors (including prepayments) being equal.

Because biweekly mortgage loans are paid down more quickly, certificates backed by pools of 30-year biweekly mortgage loans have shorter stated maturities, usually in the range of approximately 20 years, as compared with certificates backed by 30-year monthly payment mortgage loans. In addition, due to the way in which a biweekly payment amount is calculated, a biweekly loan with a higher interest rate will amortize more rapidly than an otherwise identical biweekly loan with a lower interest rate. Therefore, certificates backed by pools of biweekly loans with higher interest rates will have shorter stated terms to maturity than certificates backed by otherwise identical biweekly loans with lower interest rates.

Non-Standard Collection Option Mortgage Loans

Traditional biweekly mortgage loans require biweekly payments for the entire term of a mortgage loan. In contrast, some mortgage loans may be subject to a non-standard payment collection plan under which a borrower may elect during the term of the loan to use a non-standard payment method (i.e. payments are made more than once a month) that could reduce the loan's principal balance more rapidly than would a monthly payment method. Although as a general rule these payments are not applied against the principal balance on the same schedule as they are received, over a period of time during which a borrower on a loan subject to a non-standard collection plan has elected to make mortgage payments on a non-standard basis, the principal balance of the loan may be reduced more quickly than the principal balance of an otherwise identical monthly payment loan that does not have non-standard payment terms, all other factors (including prepayments) being equal. If we know prior to delivery of a mortgage loan to Fannie Mae that the loan is subject to a non-standard payment collection plan that could reduce the loan's principal balance more rapidly than would a monthly payment method, we will include the loan in a pool that has a special prefix or uses a special prospectus supplement.

Borrower Refinancings

When a borrower refinances a mortgage loan in a pool, the proceeds from the borrower's new loan pay off the loan in the pool, resulting in a prepayment of principal for the certificateholders. Borrowers seek to refinance their loans for a number of different reasons, some of which are discussed below.

Decline in Mortgage Interest Rates

One common reason that borrowers seek to refinance their mortgage loans is that current interest rates on new mortgage loans have declined below the interest rates on existing mortgage loans. It is difficult to predict how low interest rates must decline before significant numbers of loans are refinanced, resulting in prepayments. In the past, many lenders (in some cases in conjunction with us) instituted streamlined refinance procedures and liberalized fee structures and underwriting guidelines for refinance loans. These actions contributed to an increase in the number of borrowers for refinance loans and to a decrease in the interest rate differential that would make refinancing attractive to borrowers. More recently, however, lenders have imposed stricter underwriting guidelines for refinance loans, making it more difficult for many borrowers to refinance their loans even though interest rates are at historic lows.

Solicitations of Refinancings

Increased borrower sophistication about the benefits of refinancing and mass solicitations of borrowers by lenders (including our direct servicers) also may increase the frequency of refinancings. Our customary policy permits lenders who service mortgage loans in our pools to advertise in a general manner their availability and willingness to make new refinancing loans, but does not permit them to specifically target borrowers whose loans are in our pools. Under HARP, however, we permit our mortgage seller/servicers to solicit refinancings from eligible borrowers with mortgage loans that have loan-to-value ratios greater than 80% and that are held either in our guaranteed pools or as "whole loans" in our portfolio. The lenders may conduct this targeted solicitation even if they are not soliciting refinancings from borrowers more generally so long as they are also soliciting refinancings from eligible borrowers whose mortgage loans are owned or guaranteed by Freddie Mac. For further information about HARP, see "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Loans Newly Eligible for Refinancing***."

Moreover, in certain circumstances, we act as the direct servicer for mortgage loans that we own or that back our certificates. See "**FANNIE MAE PURCHASE PROGRAM—Servicing Arrangements**." We generally contract with unaffiliated third parties to act as subservicers to perform daily servicing activities for these loans. In these situations, we expect that our subservicers will solicit refinancings from borrowers on mortgage loans in our pools as well as from borrowers on mortgage loans that we hold as "whole loans" in our portfolio. The subservicers may do so, however, even if they are not soliciting refinancings from borrowers more generally.

Borrower Financial and Interest Rate Considerations

In some cases, borrowers seek to refinance their loans to alleviate financial pressures or to avoid delinquency or default. In addition, borrowers who are current on their mortgage loans may wish to refinance their loans into loans with lower interest rates or shorter terms. Borrowers may be eligible to refinance their loans under HARP or other refinancing programs. See "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans**."

Interest Rate Changes from Fixed Rate to Adjustable Rate

Some borrowers have ARM loans with long initial fixed-rate interest periods. Because the interest rates on these loans could increase significantly at the first interest rate change date, borrowers may be more likely to refinance those loans at or before the first interest rate change date.

We disclose mortgage loans that are refinances of previously existing loans as refinances in the loan purpose table of the prospectus supplement. In addition, if a lender modifies an existing loan instead of refinancing the loan and then delivers the loan to us, we disclose the loan as a refinance in the loan purpose table. Finally, it is a common practice in the state of New York and a few other states, including Florida, to modify an existing mortgage loan in lieu of doing a traditional refinance where the previous mortgage loan is extinguished and a new mortgage loan is created. We disclose these loans as refinances in the loan purpose table as well. See **Exhibit B** to this prospectus for further information.

Prepayments Resulting from Servicing Policies and Practices Regarding Troubled Loans

We are committed to keeping borrowers in their homes if there is a reasonable chance that they can meet their mortgage loan obligations. However, our loss mitigation efforts may affect the timing of prepayments of principal you receive on the certificates.

We currently have a number of loss mitigation alternatives available to assist borrowers who are unable (or expect in the near future to become unable) to make their mortgage payments. We encourage our direct servicers to use one or more of these alternatives to help a borrower bring a mortgage loan current and avoid foreclosure. Moreover, as the mortgage market evolves and new loss mitigation alternatives are created to deal with troubled borrowers, we may, at any time, expand the measures we use. At any given time and depending on a variety of factors (including, without limitation, those factors described in "**THE TRUST AGREEMENT—Purchases of Loans from Pools**"), we may use certain loss mitigation alternatives more than others. For example, we may decide that during a particular time period we will conduct a streamlined modification initiative in which we offer modifications to particular groups of troubled borrowers who meet certain requirements and successfully complete certain remedial actions that we may request of them. Our Home Affordable Modification Program, discussed below, is an example of such an initiative. At other times, we may conduct our loss mitigation efforts on a more individualized, case-by-case basis, sometimes using streamlined measures.

Some loss mitigation measures occur while a troubled loan remains in a pool and others are used after a loan is purchased from a pool. Under the terms of our trust agreement, in certain circumstances and subject to certain restrictions, the direct servicer may use one or more permitted loss mitigation measures involving a concession in the payment terms for a troubled loan while it remains in the pool if either (i) the mortgage loan is in default, or (ii) the direct servicer has determined that a payment default on a mortgage loan is reasonably foreseeable. The trust agreement requires a direct 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. The direct servicer may consider, as set forth in our trust agreement, a number of factors in making that determination. Pursuant to our servicing policies and practices, a direct servicer typically may consider a payment default to be reasonably foreseeable when the servicer is notified or becomes aware of an event that would cause the current borrower to default within the next 90 days. See "**THE TRUST AGREEMENT—Purchases of Loans from Pools**."

We make available to Fannie Mae servicers and borrowers the Home Affordable Modification Program ("HAMP"), a loss mitigation program under the Making Home Affordable Program. HAMP is available to eligible borrowers with mortgage loans originated on or before January 1, 2009 and is currently scheduled to expire on December 31, 2012. HAMP is designed to assist eligible borrowers who live in their own homes and who are delinquent or are at risk of an imminent default on their mortgage loans. HAMP allows Fannie Mae to work with loan servicers in assisting these distressed borrowers to modify their mortgage loans into mortgage loans that are more affordable and sustainable. Loan servicers participating in the program may reduce interest rates, lengthen the period of time in which payments must be made, or take other steps, such as principal forbearance, to bring the monthly payments down to approximately 31% of a borrower's pre-tax income. An eligible borrower participates in a trial period during which the borrower must make timely payments of the monthly principal and interest payments expected to result from the proposed loan modification. If the borrower successfully completes the trial period, the loan is removed from the trust and modified accordingly. As a borrower whose mortgage loan was modified under HAMP makes timely monthly payments of principal and interest over a five-year period, the borrower will accrue monthly incentive payments that will reduce the outstanding principal balance of the borrower's mortgage loan.

Some of the more common measures we use in attempting to bring a borrower current are forbearance, repayment plans and loan modifications. These measures may be used in conjunction with or independently from HAMP and in combination with each other or singularly. For example, a borrower may sign one document that combines (x) forbearance for a number of months while his or her delinquent loan is in a pool (during which period the borrower may or may not be required to make certain reduced monthly payments) with (y) a permanent loan modification once the loan is purchased from a pool.

Forbearance and Repayment Plans

Under a forbearance arrangement, the direct servicer agrees either to accept a reduced payment or to forgo payment and refrain from pursuing remedies for default against a borrower during the term of the forbearance. Under a repayment plan, a borrower repays delinquent amounts by making payments that are typically higher than the regularly scheduled payments until the mortgage loan is brought current. A loan subject to a forbearance arrangement or a repayment plan usually remains in a pool during the respective forbearance or repayment plan period unless the loan reaches a specified delinquency status and is removed from the pool. While our trust agreement does not limit the length of our forbearance arrangements or repayment plans, we have imposed limits under our servicing policies and practices. For example, when a direct servicer uses a combination of loss mitigation measures, we typically ask the direct servicer to limit the loss mitigation to 36 months in the aggregate, though a direct servicer may receive permission from us to go beyond that period.

Loan Modifications

In a loan modification, the direct servicer, on our behalf, and the borrower enter into an agreement that revises the original terms of the mortgage loan. The revised terms may include a different interest rate on the loan, a reduced monthly payment amount under the loan, the capitalization of past due amounts as part of the principal balance, an extension of the maturity of the loan and/or forbearance of a portion of the principal until the maturity of the loan. While our trust agreement permits certain modifications to be made to a troubled mortgage loan while it remains in the pool, our current servicing policies and practices require that the mortgage loan be purchased from the pool before a modification becomes effective. A delinquent mortgage loan is purchased from a pool to modify it if it is believed that modification is the appropriate loss mitigation technique at that time. Before purchasing a loan to modify it, the loan may have been the subject of other loss mitigation measures.

Short Payoffs, Deeds-in-Lieu, and Foreclosure

If we believe that the borrower's circumstances so warrant, we may accept a "short payoff" of the mortgage loan, accept a deed-in-lieu of foreclosure, or foreclose on the mortgaged property. With a short payoff, although the full principal amount of the mortgage loan is due, we accept less than the loan's outstanding unpaid principal balance from sale or refinancing proceeds received by the borrower. If we accept a short payoff by the borrower, we would pass through the stated principal balance of the mortgage loan to certificateholders 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 a mortgaged property, the resulting REO property typically is purchased from the related pool within 60 days after the date we accept the deed-in-lieu or the date the foreclosure sale is completed. We would then pass through the stated principal balance of the loan to certificateholders after the REO property is purchased from the pool. Under current federal tax rules, REO property is generally required to be purchased from a pool no later than the close of the third calendar year following the calendar year in which the trust acquired the REO property. This timing may be affected by any future changes in the federal tax rules. See "**THE TRUST AGREEMENT—Purchases of Loans from Pools—*Mandatory Purchases by Issuer***."

Purchases of Delinquent Loans

Under our trust agreement, we 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 (or eighth consecutive payment date, in the case of a biweekly mortgage loan), even though the borrower may have made some payments during that period. For example, if a borrower fails to pay the January 1 payment but makes a full or partial monthly payment on February 1, March 1, and April 1, the loan could be purchased from the pool as soon as April 2. Under our current servicing policies and practices, we remove a loan from a pool for this reason only to modify the loan. In the future, we may revise our servicing policies and practices to use this method of measuring delinquency more often.

Under our current servicing policies and practices and as permitted under our trust agreement, we may purchase a delinquent loan when our direct servicer confirms to us that four consecutive months (or eight consecutive biweekly payment periods, in the case of a biweekly loan) have elapsed since the last payment date on which the direct servicer applied funds totaling a full monthly (or biweekly) loan payment. For example, if a borrower makes the mortgage loan payment due on December 1 but fails to make the mortgage loan payments due on January 1, February 1, March 1, and April 1, the loan could be purchased from the pool as soon as April 2. We refer to this method of measuring delinquency as the "last paid installment" method or "LPI method."

In February 2010, we announced our intention to increase significantly our purchases from pools of mortgage loans that are delinquent as to four or more consecutive monthly payments, as measured using the LPI method. As of the date of this prospectus, it is our intention to continue to purchase nearly all loans that become delinquent as to four or more consecutive monthly payments, subject to economic, market, operational and regulatory constraints. In general, we intend to conduct these voluntary purchases when it is in our economic interest to do so. In the future, we will continue to review the economics of purchasing loans that are delinquent as to four or more monthly payments and may reevaluate our practices and alter them if circumstances warrant. See "**THE TRUST AGREEMENT—Purchases of Loans from Pools—*Optional Purchases by Guarantor***" for a description of the types of factors we consider in making a purchase decision.

Our trust agreement also allows us the flexibility, in certain limited circumstances (as described in "**THE TRUST AGREEMENT—Purchases of Loans from Pools—*Optional Purchases by Guarantor***"), to purchase a mortgage loan from a trust at any time after a delinquent mortgage loan has been in a state of continuous delinquency and not fully cured during the period from the first missed payment date through the second consecutive payment date (or fourth consecutive payment date in the case of a biweekly mortgage loan). Under our current servicing policies and practices, we have instructed our servicers to use this additional flexibility only in extraordinary circumstances and after obtaining our prior written consent. If we decide to use this flexibility more often, there will be an increase in prepayments of principal to you.

Other Factors Affecting Prepayments

Prepayment rates are influenced by factors in addition to those specified above, including homeowner mobility, general economic circumstances, mortgage loan features and borrowers' choices. See "**RISK FACTORS— RISKS RELATING TO YIELD AND PREPAYMENT**." Some of these additional factors are discussed below.

Mortgage Loan Features/Borrower Choices

Certain loans permit borrowers to pay only accrued interest for extended periods of time without requiring borrowers to make any principal payments. A borrower's decisions about the refinancing of such a loan or a borrower's expectations regarding the sale of the mortgaged property securing such a loan may be affected by the fact that, because no principal payments were required, the unpaid principal balance of the loan has not been reduced.

Other factors that may affect the timing of borrower prepayments and prepayment rates include a borrower's payment of additional principal, including a borrower's paying additional principal on a loan to reduce the loan-to-value ratio to 80%, thereby eliminating payments for mortgage insurance; a borrower's request to reamortize a mortgage after a large principal prepayment; a borrower's decision to enter into an agreement at loan origination to have the monthly payment on the loan cancelled or reduced (or in extremely limited circumstances, have the borrower's unpaid principal balance cancelled) in the event of an adverse event in the borrower's life; or a borrower's decision after loan origination (including during the period between the date we purchase the loan and the date that we deposit the loan into a trust for securitization) to enter into a biweekly or other non-standard payment collection option that results in the regular collection of unscheduled principal and a faster rate of amortization of principal.

A borrower's decision to take any of these actions may affect the prepayment rate on your certificates.

Due-on-Sale Clause

Many fixed-rate loans include a provision (a "due-on-sale clause") allowing the lender to require payment in full if the borrower sells or transfers the related mortgaged property. The enforceability of a due-on-sale clause, however, is limited both by certain laws and by provisions of the trust agreement. When a borrower sells or transfers the property securing a fixed-rate mortgage loan in a pool, we will either enforce the due-on-sale clause (unless enforcement is prohibited by law or by the trust agreement) or purchase the mortgage loan from the pool. In either case, the principal of the mortgage loan will be paid to the certificateholders on the distribution date in the month following the month in which the mortgage loan was prepaid or purchased from the pool.

Some fixed-rate mortgage loans may contain a provision that allows the mortgage loan to be assumed if the new borrower is the buyer of the related mortgaged property and meets certain credit underwriting and other eligibility standards. Either all of the fixed-rate loans in a pool will be assumable or none of the loans will be assumable. The pool prefix will identify a pool containing assumable fixed-rate loans.

Most ARM loans contain a due-on-sale clause with an exception that generally permits an ARM loan to be assumed by a new borrower either after expiration of an initial fixed-rate period or at any time if the new borrower is the buyer of the mortgaged property and meets certain credit underwriting and other eligibility standards. For all other ARM loans, even those with terms that prohibit assumptions, we may permit buyers of the mortgaged properties to assume the loans if they meet certain credit underwriting and other eligibility standards, unless otherwise stated in the prospectus supplement.

In some cases, the mortgage loan documents may provide that, at the time of the assumption, the maximum and minimum interest rates, the mortgage margin or the amount of the monthly payment may be reset to take into account then-prevailing market conditions. The prospectus supplement will indicate if an adjustable-rate pool includes ARM loans that permit any of these features to be reset at the time a loan is assumed. If such an ARM loan is assumed, we will purchase it from the pool before the effective date of the reset.

Mortgage loans that are guaranteed or insured by a government agency typically contain provisions permitting assumption of a loan upon the sale of the related mortgaged property, subject generally to the purchaser's compliance with the credit and underwriting guidelines of the governmental agency. However, some government agencies, including the U.S. Department of Agriculture, through its Rural Development Housing and Community Facilities Program ("Rural Development"), have informed us that a loan insured or guaranteed by them may be "due on sale" upon the transfer of the related property at a lender's election.

Prepayment Premiums

A mortgage loan may require the borrower to pay a prepayment premium if the loan is paid in full or in part prior to its maturity. Prepayment premiums apply for the time period specified in the mortgage note (for example, for the first three years after the loan's origination). The requirement to pay a prepayment premium may affect a borrower's decision whether or when to sell the related property or to refinance or otherwise pay off the mortgage loan. Thus, inclusion of prepayment premium provisions in mortgage loans may affect the speed with which the mortgage loans in a pool prepay. A direct servicer that is servicing a mortgage loan with a prepayment premium provision may decide not to enforce the prepayment premium provision if the borrower chooses to refinance with that direct servicer. Even if charged and collected, prepayment premiums will not be paid to certificateholders, unless so stated in the prospectus supplement.

If any of the mortgage loans in a pool contain prepayment premium provisions, all of the mortgage loans in that pool will have prepayment premium features unless the prospectus supplement states otherwise. We will describe any prepayment premium features in the prospectus supplement. In addition, if a pool of fixed-rate mortgage loans has prepayment premium provisions, we will use a special pool prefix in addition to the prospectus supplement description. Unless the prospectus supplement states otherwise, none of the mortgage loans in a pool will contain prepayment premium provisions.

We prohibit our direct servicers from charging or enforcing a prepayment premium when the prepayment arises because the borrower must sell the property to cure a default, or when enforcement of the prepayment premium is otherwise prohibited by law. We also encourage our direct servicers to waive enforcement of prepayment premiums on sales of homes to third parties. Furthermore, state and federal laws may affect when or if a prepayment premium may be collected or may limit the prepayment premium that a lender may collect from a borrower when a mortgage loan is prepaid. We cannot ensure that imposition of a prepayment premium is enforceable under any of these laws or that a change in any law will affect a borrower's decision whether or when to sell the related property or to refinance or otherwise pay off the mortgage loan.

Subordinate Lien Mortgage Loans

Borrowers may be more likely to prepay subordinate lien mortgage loans than first lien mortgage loans for several reasons. First, because the loan term of a subordinate lien mortgage loan typically is shorter than the loan term of a first lien loan (although a subordinate lien mortgage loan can have an original maturity of up to 30 years), borrowers may not view subordinate lien loans as permanent financing. Second, the interest rate on a subordinate lien mortgage loan is typically higher than that of a first lien mortgage loan originated in the same interest rate environment, which may cause the borrower to place a higher priority on the early repayment of the subordinate lien loan. Finally, the principal amount of a subordinate lien loan typically is smaller, which may make its prepayment easier for the borrower to fund.

THE MORTGAGE POOLS

We deposit residential mortgage 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 mortgage loans. For purposes of the description here, a participation interest is considered as if it were a separate 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 mortgage loans.

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 direct 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 ("NCUA"), (b) a subsidiary of a parent financial institution that is supervised and regulated by one of these entities, or (c) a Federal Home Loan Bank. In certain cases, we may permit the seller of the mortgage loans or an affiliate of the seller to act as our document custodian, provided that the entity meets these and certain additional requirements. We may modify our practices regarding the custody of mortgage documents at any time, subject to certain standards of care and other requirements described in the trust agreement. We periodically review our custodial practices and, subject to the terms of the trust agreement, make changes as we determine appropriate.

In connection with the creation of our trusts, we file a Uniform Commercial Code financing statement or UCC-1 against each mortgage loan seller. In the event of a bankruptcy or receivership of a seller, a court could determine that the mortgage loans were not sold to us but were pledged to us to secure a financing. Courts may also deny our standing to enforce delinquent mortgage loans if we cannot adequately prove our ownership. If, as a result of any such determination, mortgage loan payments were inadequate to cover the amounts due to certificateholders, we would make payments to the trust under our guaranty in the amount required by the trust to pay certificateholders what they are due. See "**RISK FACTORS—RISKS RELATING TO CREDIT—***Seller Credit Factors*."

Age of Mortgage Loans at Time of Pooling

Mortgage 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 most cases, mortgage loans are deposited into a pool shortly after we acquire them. In other cases, mortgage loans are deposited into a portfolio pool after having been held in our loan portfolio for some period of time. Investors should consult the prospectus supplement for an issuance of certificates for further information about the age of the mortgage loans in the pools backing their certificates.

Pool Disclosure Documents

Each time that we issue an MBS, we prepare disclosure documents describing its terms. These at-issuance disclosure documents are available on our Web site through our Securities Locator Service and our PoolTalk application at www.fanniemae.com. The at-issuance disclosure documents for an MBS consist of this prospectus, the related prospectus supplement and any documents incorporated by reference into this prospectus or the related prospectus supplement. See "**INCORPORATION BY REFERENCE.**" The prospectus supplement, which is typically available no later than two business days before the settlement date of the related issuance of certificates, discloses the pool prefix and, for pools containing ARM loans, the subtype, and provides pool-level data as of the issue date of a pool. See "**—Pool Prefixes and Subtypes**."

At-issuance disclosure documents contain the most current information available to us as of the issue date of the certificates, unless the prospectus supplement states otherwise. After certificates are issued, the related at-issuance disclosure documents may be corrected during the applicable offering period and made available through our PoolTalk application on our Web site. We do not revise the at-issuance offering documents after the offering period to provide any updated information.

Pool Prefixes and Subtypes

Each mortgage loan pool, and the related issuance of certificates, is assigned a separate pool number and a two-character prefix that identifies the type of mortgage loans in that pool and the basic terms of the certificates. The type of information reflected by the prefix includes whether the loans are conventional or government-insured or guaranteed; whether the loans bear interest at a fixed rate or an adjustable rate; for fixed-rate pools, the general term to maturity; and for adjustable-rate pools, various other features. Each adjustable-rate pool is also assigned a subtype designation, which provides a summary of the loan characteristics for that pool, including the index; the frequency of rate and payment adjustments; the percent and timing of certain interest rate caps; the applicability of any prepayment premiums or interest-only payment periods; and any option of the borrower to convert an underlying loan to a fixed-rate loan. We also provide information regarding these characteristics in a prospectus supplement. Pool prefixes and adjustable-rate subtypes 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 and subtypes ONLY in conjunction with the information in this prospectus, the prospectus supplement and any information that we have incorporated into these documents by reference.**

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

Minimum Pool Size

Each of our pools will typically consist of either:

- Fixed-rate mortgage loans that generally have an aggregate unpaid principal balance of at least $1,000,000, or
- ARM loans that have an aggregate unpaid principal balance of at least $500,000.

In each case, the aggregate unpaid principal balance is measured as of the first day of the month in which the certificates are issued. We may, from time to time, make exceptions to these pooling minimums. No pool will contain both fixed-rate and ARM loans.

Fannie Majors

In addition to issuing our typical certificates, we also issue certificates called Fannie Majors®, which are identified by the same set of prefixes assigned to our typical certificates. Each Fannie Majors pool is composed of mortgage loans of a single mortgage type originated within 12 months of the issue date and usually has a principal balance that exceeds $200 million at issuance. Some Fannie Majors pools are larger than $500 million. Fannie Majors pools are backed by fixed-rate, ARM, or balloon mortgage loans. Fannie Majors pools are generally larger and potentially more geographically diversified than our typical certificates and usually contain mortgage loans delivered to us by multiple lenders. However, some Fannie Majors pools may contain loans from only a single lender.

During the month of issuance of a Fannie Majors pool, we may issue certificates from time to time as loans are delivered to us and deposited into the pool and before all final loan deliveries are made. As a result, if you receive your certificate earlier in the month of issuance before all loans have been delivered and deposited, your pro rata beneficial interest in the Fannie Majors pool represented by your certificate at the time you receive it will not yet include any beneficial interest in the loans that have not yet been delivered and deposited. During the month of issuance, we will periodically publish on our Web site the cumulative outstanding certificate balance of each open Fannie Majors pool as of the current business day. The cumulative outstanding certificate balance for each open Fannie Majors pool will be updated throughout the month as additional loans are delivered and deposited and the related new certificates are issued until that Fannie Majors pool is closed to further deliveries at the end of the month. We publish an interim prospectus supplement each time we issue a certificate representing an interest in a portion of the Fannie Majors pool during the month. We then publish a final prospectus supplement when the Fannie Majors pool has closed.

Mortgage Pool Statistics

In each prospectus supplement, we will set forth certain characteristics of the underlying mortgage loans in the pools. We will disclose some of these characteristics both by a weighted average (or simple average, in some cases) for that pool and in a quartile distribution (including a maximum and a minimum). We will disclose certain other characteristics in either tabular or quartile format only. The statistics listed in each prospectus supplement generally include the characteristics listed in **Exhibit B** to this prospectus. In addition, some of the characteristics are applicable only to ARM loans. For a description of how we obtain information provided in the pool statistics section, you should read the Pool Statistics Methodology section of **Exhibit C**. Certificateholders should determine for themselves how to use the pool statistics. We may, from time to time, make additional data elements available to investors by including the data in the prospectus supplement.

Monthly Pool Factor and Other Monthly Disclosures

We generally update certain information about the pool on an ongoing monthly basis 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 in this prospectus or in 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 then-current principal balance of your certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. We will also publish the fixed-rate quartiles, which will provide quartiles of certain data elements regarding the mortgage loans backing our fixed-rate certificates.

We will provide certain additional disclosures regarding the certificates on a monthly basis. We publish the geographical statistics and a supplemental file to provide information regarding the characteristics of the underlying mortgage loans, including, but not limited to, state, year of origination, loan purpose, and occupancy type. For our adjustable-rate certificates, we publish the ARM statistics file and the adjustable-rate quartiles files, which disclose rate, adjustment, and cap information as well as certain data elements (by quartiles) of the underlying mortgage loans. For our certificates with initial interest-only periods, we specify the number of months remaining in the interest-only period.

These disclosures are published each month on our Web site and are available to all market participants for review and analysis.

THE MORTGAGE LOANS

Each mortgage loan in a pool was originated for the purpose of purchasing, or refinancing a loan secured by, a one-to-four unit residential property. Each mortgage loan 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 one-to four-unit residential property. Each mortgage loan requires the borrower to make monthly payments of principal and interest, except as provided otherwise in the prospectus supplement. The loans bear interest at either a fixed or an adjustable rate. The properties may be either owner-occupied or non-owner-occupied. The loans may include manufactured housing loans and loans secured by pledges of ownership interests and assignments of occupancy rights in cooperative housing corporations. Mortgage loans in our pools may be seasoned, meaning they were originated more than 12 months before pooling, or they may be newly originated, which means they were originated no more than 12 months before they were pooled. Investors should consult the pool statistics portion of their prospectus supplement for further information regarding the age of the loans in a pool.

From time to time, we also may pool manufactured housing loans secured by chattel or personal property (as determined by state law). If we do so, we will pool these loans under a separate prefix that indicates the loans in the pools are secured by personal property instead of real property.

Conventional and Government Mortgage Loans

Most of the loans included in our pools are conventional mortgage loans—that is, loans that are not insured by the FHA or guaranteed by HUD, the Department of Veterans Affairs ("VA") or Rural Development. We refer to non-conventional loans as government loans. We refer to pools consisting exclusively of government loans as government pools, which are designated by a separate pool prefix. Our current policy is to place government loans, including HUD-guaranteed Native American loans and Rural Development-guaranteed loans, solely in government pools, but this policy may change in the future.

Both conventional loans and government loans can bear interest at either a fixed rate or an adjustable rate and may have different methods for calculating interest and repaying principal. The following discussion describes the types of interest rate and loan repayment terms that may be features of the loans in a pool. The prospectus supplement identifies which of these types of loans are included in the pool.

Fixed-Rate Mortgage Loans

Fixed-rate pools consist entirely of fixed-rate loans. Although the loans in a fixed-rate pool bear differing fixed rates of interest, certificateholders will receive interest at a single fixed pass-through rate, which is specified in the prospectus supplement. In most instances, fixed-rate loans in a single pool have interest rates that are within a two percent (two hundred basis points) range (though we may, from time to time, permit a wider range). Because the pass-through rate for each loan in a fixed-rate pool is the same, the pass-through rate will not change if prepayments occur, even if those prepayments cause a change in the weighted average interest rate of the remaining loans in the pool. However, because interest is paid based on the outstanding principal balance of the certificates, and principal prepayments are passed through to certificateholders, thereby reducing the stated principal balance of the certificates, principal prepayments may affect the yield on the certificates. For a discussion of how prepayments can affect yield, see "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS.**"

Types of Fixed-Rate Mortgage Loans

Each fixed-rate pool will be designated with a distinct prefix that indicates the type of mortgage loans in the pool. The various types of fixed-rate mortgage loans are described below. Unless the prospectus supplement states otherwise, a pool will not include more than one type of fixed-rate mortgage loan, except that graduated payment mortgage loans and growing equity mortgage loans that have become eligible for inclusion may be pooled with fully amortizing loans.

- *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 10, 15, 20, 25, 30 or 40 years. The pool prefix indicates the general maturity of the loans in the pool.

- *Interest-only initially to fully amortizing equal payment loans*—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. As a result, during this initial period, distributions on certificates backed by a pool containing these mortgage loans will consist of only 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 pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. Accordingly, 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.

- *Balloon loans*—Each scheduled monthly payment of principal and interest, except the final payment, is in the same amount. The scheduled monthly payments, however, are not sufficient to amortize the loan fully over its term. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previously scheduled payment.

- *Biweekly loans*—Each scheduled payment of principal and interest is in the same amount and fully amortizes the principal of the loan over its term. Payments are due every 14 days. The borrower's biweekly payment is equal to one-half the amount of the monthly payment that would be required for a fully amortizing 30-, 25-, 20-, 15-, or 10-year loan, as applicable, with the same principal amount and interest rate. Because the borrower's payments are due every 14 days, there are 26 payments in a year (or 27 payments in some years). Biweekly loans generally have two biweekly payments during ten months of the year and three payments in the other two months. In years with 27 payments, biweekly loans have two biweekly payments during nine months and three payments in the other three months.

- *Graduated payment loans*—The scheduled monthly payments of principal and interest gradually increase over a fixed period of time, in accordance with a pre-set schedule. Because the scheduled monthly payments in the early years of the loan are not sufficient to pay all of the accrued interest, some of the interest is deferred during that time and added to principal. We include graduated payment mortgage loans in our fixed-rate pools only if no further payment increases will occur, and no further interest will be deferred, after the issue date of the related certificates.

- *Growing equity loans*—The scheduled monthly payments of principal and interest gradually increase over a fixed period of time, in accordance with a pre-set schedule. The amount of the increases is applied solely to principal. We include growing equity mortgage loans in our fixed-rate pools only if no future payment increases will occur after the issue date of the related certificates.

Adjustable-Rate Mortgage Loans (ARM Loans)

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

We calculate interest for each adjustable-rate pool at a monthly rate (the "pool accrual rate"), which is equal to the weighted average of the mortgage interest rates (less the fee percentages) for each ARM loan in that pool. (Weighting is based on the stated principal balance of each ARM loan then remaining in the pool.) Therefore, the pool accrual rate is not a fixed pass-through rate and generally will vary from month to month as the interest rates on the ARM loans change and as the ARM loans amortize or prepay. As noted below, we refer to the difference between the ARM loan's mortgage margin, which is a percentage specified in the mortgage note, and its fee percentage as the "MBS margin."

Certain Defined Terms for ARM Loans

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

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

MBS Margin

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

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

- **Weighted average MBS margin pool**. In other adjustable-rate pools, the fee percentage is the same for all ARM loans in the pool, with the result that the MBS margins vary among the loans in the pool to the same degree as do their mortgage margins.

The prospectus supplement will provide information about the MBS margins for the ARM loans in your pool. Each month we make available updated MBS margin information for each pool on our Web site.

ARM Indices

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

- *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.(1) These indices are sometimes referred to as the constant maturity Treasury or "CMT" indices.
- *WSJ LIBOR Indices:* The average of the London Interbank Offered Rates for six-month (Six-Month WSJ LIBOR Index) and one-year (One-Year WSJ LIBOR Index) United States dollar-denominated deposits, as fixed on each index determination date by the British Bankers Association and published in *The Wall Street Journal*.
- *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)

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(1) These indices are published by the Board of Governors of the Federal Reserve System in Federal Reserve Statistical Release: Selected Interest Rates No. H.15 (519). This release usually appears on Monday (or Tuesday, if Monday is not a business day) of every week. You can obtain a copy by 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 (FHLB-SF) 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 the FHLB-SF Web site at www.fhlbsf.com. We do not intend this Internet address to be an active link.

Types of ARM Loans

The various types of ARM loans are described below. Unless the prospectus supplement states otherwise, an adjustable-rate pool will not contain more than one type of ARM loan.

- *Fully amortizing ARM loan*—The interest rate adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount is adjusted to cover accrued interest and full amortization of principal on a level payment basis over the remaining loan term, based on the current interest rate. Unless we specify otherwise in the applicable prospectus supplement, each loan included in an ARM pool is a fully amortizing ARM loan.
- *Interest-only initially to fully amortizing ARM loan*—During an initial period of time, no scheduled principal payment is due on the loan. The loan may have a fixed rate of interest during the entire interest-only period or may have a fixed rate of interest for a portion of

the interest-only period and an adjustable rate of interest during the remaining portion of the interest-only period. In either case, the borrower's required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the then-current interest rate. As a result, during this initial period, distributions on certificates backed by pools of this type of ARM loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. On the first interest rate change date, the interest rate on the loan will adjust to a rate based on the index and mortgage margin that are specified in the mortgage note, subject to any applicable interest rate caps and floors. On the first payment due date following the first interest rate change date, the monthly payment amount will change to an amount necessary to pay interest at the new mortgage interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. Accordingly, 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 based on the pool accrual rate then in effect.

- *Fully amortizing ARM loan with fixed-rate conversion option*—Some ARM loans permit the borrower to convert the loan to a fixed interest rate loan at certain times specified in the mortgage loan documents. The interest rate and payments adjust in the same manner as fully amortizing ARM loans, described above, unless the loan is converted to a fixed-rate loan. If the borrower exercises the right to convert the ARM to a fixed-rate loan, we will purchase the loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price for the loan will be equal to its stated principal balance, together with one month's interest at its then-current pool accrual rate. In general, the new fixed rate is based on a spread of at least 0.375% above the net yield that we require or that the Federal Home Loan Mortgage Corporation requires when purchasing 30-year fixed-rate loans under short-term mandatory delivery commitments in effect at the time the ARM loan converts to its fixed rate. (If the original term of the convertible ARM loan is 15 years or less, the new fixed rate is based on an interest rate spread above the required net yield for 15-year fixed-rate loans.) The prospectus supplement for a pool of convertible ARM loans will specify the times at which the ARM loans may begin to accrue interest at a fixed rate. Unless stated in the prospectus supplement, we will not include convertible ARM loans in a pool. See "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Convertible ARM Loans***."

- *Step-Rate ARM loan*—Some ARM loans have a fixed-rate of interest for an extended period of time, usually five or seven years, and then have a rate adjustment. When the rate is adjusted, the monthly payment amount is adjusted to cover accrued interest and full amortization of principal on a level payment basis over the remaining loan term, based on the new interest rate. No other changes are made to the interest rate of the loan during the remainder of its term.

How ARM Loans Work

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

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

- *Calculation of the adjustable interest rate*. After the initial fixed-rate period, if any, the interest rate on an ARM loan is adjusted at regular intervals specified in the mortgage note. On each interest rate change date, the interest rate is adjusted to equal the sum of the index value most recently available as of a date specified in the mortgage note plus the mortgage margin specified in the mortgage note. The result may be rounded according to the rounding convention stated in the mortgage note (usually to the nearest, next lower or next higher 1/8 or 1/4 of 1%). Unless the prospectus supplement states otherwise, the index value used in this calculation is the index value that was most recently available as of the date that is 45 days before the adjustment date. (This 45-day period is referred to as the lookback period.)
- *Interest rate caps and floors*. Most ARM loans contain periodic interest rate caps and floors, which limit the amount by which the interest can increase or decrease on each interest rate change date. ARM loans also specify a lifetime interest rate cap and may specify a lifetime interest floor. If no lifetime floor is specified, we treat the related mortgage margin as the floor. A lifetime interest rate cap provides that the interest rate may never increase above the lifetime cap, regardless of the applicable index value, while a lifetime interest rate floor provides that the interest rate may never decrease below the lifetime floor, regardless of the applicable index value. The prospectus supplement will disclose any periodic interest rate caps and floors that apply to the initial interest rate change and each later interest rate change and will also disclose the lifetime interest rate caps and lifetime interest rate floors.
- *Payment change frequency and payment caps*. Unless the prospectus supplement states otherwise, all payment changes on ARM loans will be effective in the month after each interest rate change. Payment caps and floors limit the amount by which the borrower's payment can increase or decrease with each interest rate change, frequently to 7.5% above or below the amount of the monthly payment before the interest rate change. If a payment cap or floor applies, the prospectus supplement will so state.
- *Rate changes upon assumption of an ARM loan*. ARM loans generally permit the purchaser of the related mortgaged property to assume the loan, provided that the purchaser is creditworthy. For additional information about the rules that apply in this circumstance, see "**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Other Factors Affecting Prepayments*—***Due-on-Sale Clause*" above. In some cases, the mortgage loan documents may provide that at the time of the assumption, the maximum and minimum interest rates, the mortgage margin or the amount of the monthly payment may be reset to take into account then-prevailing market conditions. The prospectus supplement will indicate if an adjustable-rate pool includes ARM loans that permit any of these features to be reset at the time a loan is assumed. If such an ARM loan is assumed, we will purchase it from the pool before the effective date of the reset.

Some ARM loans permit negative amortization. In those cases, there may be times when the monthly payment is insufficient to pay all of the interest that has accrued during the month. This usually occurs when payments are not adjusted as frequently as the interest rate adjusts, when a payment cap applies, or both. In either case, 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. Under our current policy, we do not purchase loans that permit negative amortization. If our policy changes, the prospectus supplement will disclose that the loans permit negative amortization and describe the terms.

Uniform Hybrid ARM Loans

Some ARM loans have fixed interest rates for an initial period of years and then adjust annually after this initial period. We call these ARM loans "hybrid ARM loans." Some pools contain hybrid ARM loans as well as certain other types of ARM loans, while other pools, which are designated with a specific prefix and a subtype, contain only hybrid ARM loans with a uniform set of attributes. We refer to this latter type of pool as a "uniform hybrid ARM" pool.

A uniform hybrid ARM pool that is so identified by prefix and subtype has a structure that combines both fixed and weighted attributes. All hybrid ARM loans in a uniform hybrid ARM pool have a fixed interest rate during an initial period equal to a specific number of scheduled payments and then have an adjustable interest rate during the remainder of their term. Although the first interest rate change dates vary among the loans in the pool, the dates are within a specified range that is narrower than the range of first interest rate change dates for most other pools containing hybrid ARM loans. The initial fixed interest rate period for a uniform hybrid ARM loan is usually 3, 5, 7, or 10 years. During the adjustable-rate period following the initial fixed-rate period, the interest rate is determined by reference to an index as discussed above. After the first interest rate change, the pool accrual rate will equal the weighted average of the mortgage interest rates (net of the fee percentage) of the loans in the pool. All hybrid ARM loans in a uniform hybrid ARM pool are subject to certain periodic and lifetime interest rate caps (as specified in the related prefix and subtype). We refer to a lifetime interest rate cap as the maximum mortgage interest rate on a hybrid ARM loan. In addition, the mortgage interest rate for a uniform hybrid ARM loan may never decrease below the mortgage margin for that loan. We refer to this interest rate floor as the minimum mortgage interest rate.

Our current form of uniform hybrid ARM pool contains loans that are called “5/1 uniform hybrid ARM loans.” Each of these loans has an initial fixed-rate period of approximately five years (54 to 62 scheduled monthly payments) during which the loan’s initial interest rate is fixed at a competitive market rate. After the initial fixed-rate period, the interest rate on each 5/1 uniform hybrid ARM loan will change annually to equal (i) the One-Year WSJ LIBOR Index value that is most recently available 45 days before the interest rate change date, plus (ii) the mortgage margin that was set forth in the mortgage note when the loan was originated. As a result of the periodic and lifetime interest rate caps on a 5/1 uniform hybrid ARM loan, at the first annual interest rate change date, the mortgage interest rate may not be adjusted to a rate that is more than five percentage points above or below the initial interest rate. On each of the following annual interest rate change dates, the interest rate on the loan may not be adjusted to a rate that is more than two percentage points above or below the previous mortgage interest rate. In addition, the lifetime cap will not allow the interest rate on the loan to adjust to a rate that is more than five percentage points above the initial interest rate.

The hybrid ARM loans in a uniform hybrid ARM pool are generally not assumable until the expiration of the initial fixed-rate period. See “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—*Other Factors Affecting Prepayments*—***Due-on-Sale Clause.*” The original terms of those hybrid ARM loans may range up to 30 years.

High Loan-to-Value Mortgage Loans

HARP is a refinancing program under the Administration’s Making Home Affordable Program that offers additional refinancing flexibility to eligible borrowers who are current on their loans and whose loans are owned or guaranteed by Fannie Mae or Freddie Mac and meet certain additional criteria. HARP originally authorized us to acquire >80% LTV loans only if their current loan-to-value ratios did not exceed 125% for fixed-rate loans and did not exceed 105% for ARM loans. As a result, our fixed-rate pools contained no >80% LTV loans with loan-to-value ratios that were greater than 125% at the time we acquired them.

The recently announced changes to HARP are intended to remove certain obstacles preventing borrowers from refinancing their mortgage loans. With these changes and changes to our Refi Plus program, and pursuant to HARP guidelines effective December 1, 2011, borrowers may now be eligible to refinance very high LTV fixed-rate loans if we purchased those loans on or before May 31, 2009. In addition, beginning in June 2012, we can issue certificates backed by pools containing very high LTV loans.

Loans Newly Eligible for Refinancing

Your certificates may be backed by a pool containing seasoned >80% LTV loans, some of which may include very high LTV loans. Due to the expanded HARP guidelines, very high LTV loans may be eligible for refinancing. If your pool contains eligible loans (including very high LTV loans and other >80% LTV loans) that are refinanced, you will receive an early payment of principal on your certificates, which will reduce the weighted average life of your certificates and may adversely affect your yield.

To refinance a mortgage loan under the revised HARP guidelines as implemented by Fannie Mae, the borrower must meet certain credit standards. In addition, the existing loan (the "original loan") must be secured by an owner-occupied property and have the following characteristics:

- it is a first lien, conventional whole loan;
- it was acquired by Fannie Mae on or before May 31, 2009;
- it was not originated under HARP (unless it was originated in March, April or May 2009);
- it is current in its monthly payments at the time of the refinancing; and
- it has an acceptable payment history.

The new loan resulting from the refinancing (the "new loan") must meet the criteria specified under "***—Newly Originated Loans***."

We also expanded the eligibility requirements for our Refi Plus refinancing programs to permit the refinancing of very high LTV loans if the loans generally meet the HARP requirements. Moreover, our Refi Plus refinancing program permits the refinancing of very high LTV loans even if they are secured by non-owner occupied properties or by loans that have loan-to-value ratios less than 80%.

As part of the refinancing efforts required by HARP, our mortgage seller/servicers are permitted to solicit refinancings of eligible borrowers with >80% LTV loans that we own or guarantee. These solicitations may be directed to eligible borrowers even if the related mortgage seller/servicers are not soliciting refinancings from borrowers more generally so long as they are also soliciting eligible borrowers whose mortgage loans are owned or guaranteed by Freddie Mac. As a result, seller/servicers may be more likely to solicit these newly eligible borrowers for refinancings.

HARP and Refi Plus refinancings must be completed by December 31, 2013.

Newly Originated Loans

Your pool may contain newly originated >80% LTV loans that are the result of the refinancings described above. A fixed-rate pool may contain loans that, at acquisition, had (i) loan-to-value ratios greater than 80% but not exceeding 105%, (ii) loan-to-value ratios greater than 105% but not exceeding 125%, or (iii) on and after June 1, 2012, loan-to-value ratios greater than 125%. An ARM pool may contain loans that, at acquisition, had loan-to-value ratios greater than 80% but not exceeding 105%.

Each newly originated very high LTV loan will be a loan resulting from the refinancing of a prior very high LTV loan owned or guaranteed by us. A pool will not hold any newly originated very high LTV loan that is not the result of such a refinancing.

Any newly originated loan resulting from a refinancing under HARP has the following characteristics:

- it is originated on or before December 31, 2013;
- it has a loan-to-value ratio no greater than 105% if it is an ARM loan or a fixed-rate loan with a term of over 30 years (i.e., no cap on the loan-to-value ratio if a fixed-rate loan with a term of 30 years or less); and
- it provides a benefit to the borrower by
  - o lowering the monthly payment relative to the monthly payment on the original loan;
  - o reducing the interest rate relative to the rate on the original loan;
  - o reducing the amortization term of the loan relative to the amortization term on the original loan; and/or
  - o resulting in a more stable loan product (for example, moving from an ARM loan to a fixed-rate loan).

HARP further provides that

- the new loan may be secured by any property if that property was eligible as security at the time of the original loan;
- no new property appraisal is required in many cases;
- existing mortgage insurance on the original loan may be carried forward to the new loan or, if the original loan did not have mortgage insurance, mortgage insurance is not required for the new loan;
- certain risk-based fees may be eliminated for borrowers whose new loan has a shorter term than the original loan (and, in some cases, for other borrowers); and
- lenders' liability is reduced for certain breaches of representations and warranties with respect to the original loans.

The loan-to-value ratio disclosed for a newly originated high LTV loan will be calculated using the principal balance of the new loan at origination and a property value that may be the value from a recent appraisal, an update of the original value based on a standardized process, or the value from the original appraisal which the lender has represented and warranted remains valid.

Special Feature Mortgage Loans

Some mortgage loans have special features that distinguish them from standard mortgage loans. The special features may include the purpose of the loan, the type of property securing the loan, the availability of a temporary interest rate reduction on the loan, the size of the loan and certain characteristics of the borrower on the loan. These loans may have fixed or adjustable interest rates and payment structures of a type described in "**—Fixed-Rate Mortgage Loans**" and "**—Adjustable-Rate Mortgage Loans (ARM Loans)**."

Relocation Loans

Some employers enter into an agreement with a lender under which the lender agrees to make mortgage loans to employees who are moving to new job locations. These loans are made to finance the purchase of a home at a new job location and may involve a financial contribution by the employer, which can include subsidies and interest rate buydowns. In general, employees who obtain these loans are highly mobile and expect to be relocated frequently. Because the employer frequently has a financial interest in the loan, a beneficial change in the interest rate environment may cause the employer to encourage the employee to refinance the loan. We are not aware of any studies or statistics on the prepayment rates of relocation loans and cannot estimate the future prepayment performance of relocation loans or how their performance compares with that of loans that are not relocation loans. However, in addition to the factors affecting loan prepayment rates in general, the prepayment of relocation loans depends on the individual circumstances of employees and employers and the characteristics of specific relocation programs. Furthermore, a change in the economy or in the employer's business, such as an economic downturn or accelerated expansion of the employer's business, could cause an employer to suspend its relocation program or to move its employees more frequently.

If relocation loans comprise more than 10% of the loans in a pool, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool, then (i) for fixed-rate pools, the pool prefix will identify the pool as a "relocation loan pool," and the pool statistics portion of the prospectus supplement will show the percentage of relocation loans in the pool, and (ii) for adjustable-rate pools, the pool statistics portion of the prospectus supplement will identify the pool as a "relocation loan pool" and will show the percentage of relocation loans in the pool. Relocation loans also may be included in other pools but will not exceed 10% of the pool on its issue date, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool.

Cooperative Share Loans

In some communities (particularly in the New York City metropolitan area), residents of residential units in multi-tenant housing projects own their dwellings through ownership in a cooperative housing corporation. Unlike borrowers under traditional mortgage loans, the borrowers do not buy the real estate but rather acquire interests in the cooperative housing corporation with rights to occupy their respective dwelling units.

A cooperative share loan is secured by two types of collateral: the stock or certificate of membership (or other similar evidence of ownership) issued by the cooperative housing corporation to the borrower as tenant-stockholder or resident-member, and the proprietary lease, occupancy agreement or other similar agreement granting the borrower as tenant-stockholder or resident-member the right to occupy a particular dwelling unit in the housing project owned by the cooperative housing corporation. The borrower's ownership interest and occupancy rights are subject to restrictions on sale or transfer.

In addition to making the monthly mortgage payment, the borrower generally must pay a proportional share of real estate taxes on the housing project and of payments on any blanket mortgage loan made to the cooperative housing corporation and secured by the housing project. If the borrower fails to pay its required share, the cooperative housing corporation can terminate the borrower's occupancy rights. In addition, the borrower's occupancy rights are subordinate to the lien of any blanket mortgage loan on the housing project. If the corporation should default on its blanket mortgage loan, the holder of the corporation's blanket mortgage loan (which could be Fannie Mae because we acquire cooperative blanket mortgage loans through our multifamily program) could foreclose on the housing project and terminate the occupancy rights of the borrower. If the borrower's occupancy rights are terminated, the cooperative share loan would default and, if the default was not cured, would be purchased from the pool, resulting in a prepayment of principal on the related certificates.

In many cases, a single lender will have made cooperative share loans to several residents of the same cooperative project. If all of those loans are included in the same pool, holders of certificates backed by those loans would be significantly at risk for multiple prepayments resulting from defaults on the cooperative share loans caused by a default by the cooperative housing corporation under its blanket mortgage loan.

If cooperative share loans comprise more than 10% of the loans in a pool, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool, then (i) for fixed-rate pools, the pool prefix will identify the pool as a "cooperative share loan pool" and the pool statistics portion of the prospectus supplement will show the percentage of cooperative share loans in the pool, and (ii) for adjustable-rate pools, the pool statistics portion of the prospectus supplement will identify the pool as a "cooperative share loan pool" and will show the percentage of cooperative share loans in the pool. Cooperative share loans also may be included in other pools but will not exceed 10% of the pool on its issue date, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool.

Buydown Mortgage Loans

To induce people to buy homes, builders and sellers of homes, or other interested parties, including lenders, may agree to pay some of the costs of the loan, including subsidizing the monthly mortgage payments for an agreed upon period of time. This arrangement, which we refer to as a "buydown," may enable borrowers to qualify for loans that their available funds ordinarily would not permit them to do. Buydowns may include "significant temporary interest rate buydown mortgage loans," which are buydowns of more than two percentage points below the note rate or buydowns that are in effect for more than two years.

If significant temporary interest rate buydown mortgage loans comprise more than 10% of the loans in a pool, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool, then (i) the pool prefix will identify the pool as a "significant temporary interest rate buydown mortgage loan pool" and the pool statistics portion of the prospectus supplement will show the percentage of significant temporary interest rate buydown mortgage loans in the pool, and (ii) for adjustable-rate pools, the pool statistics portion of the prospectus supplement will identify the pool as a "significant temporary interest rate buydown mortgage loan pool" and will show the percentage of significant temporary interest rate buydown mortgage loans in the pool. Significant temporary interest rate buydown mortgage loans also may be included in other pools but will not exceed 10% of the pool on its issue date, as determined by the aggregate issue date unpaid principal balance of the mortgage loans in the pool.

"J" Prefix Pools for Fixed-Rate Mortgage Loans

If over 15% of the issue date aggregate principal balance of a pool is composed of at least two of the three special feature mortgage loans described above (i.e., relocation loans, cooperative share loans, and significant temporary interest rate buydown mortgage loans), the pool will have a special "J" prefix. For example, if on the issue date, relocation mortgage loans comprise 8% of a pool and significant temporary interest rate buydown mortgage loans comprise 9% of a pool, the pool will have a "J" prefix, and the pool statistics portion of the prospectus supplement will show the percentages of each category of mortgage loans at the issue date. The "J" prefix also may be used to call attention to additional special disclosure characteristics that are disclosed in a prospectus supplement for certain fixed-rate pools. In addition, the "J" prefix is used to indicate that a pool contains fixed-rate jumbo-conforming mortgage loans originated from and including July 1, 2007 through February 29, 2008. See "***—Loans with Original Principal Balances Exceeding Our Traditional Conforming Loan Limits.***"

Community Reinvestment Act Mortgage Loans

Many lenders are required by the Community Reinvestment Act ("CRA") to meet the credit needs of their entire community, including low- and moderate-income neighborhoods. Mortgage loans originated to meet CRA objectives are subject to our eligibility and underwriting criteria and policies, which we may waive or modify from time to time. In addition, the mortgaged properties may be concentrated in low-and moderate-income neighborhoods and localities. An investor must make its own determination as to whether a particular pool meets the CRA objectives or other objectives relevant to that particular investor. Fannie Mae makes available certain additional loan level information for pools issued and sold through our CRA-targeted MBS program, which can be found on our Web site by clicking "CRA Targeted MBS" in the "Data Collections" section of the Single Family MBS Web page.

Reperforming Government Mortgage Loans

Some pools are composed entirely of FHA and VA mortgage loans that were ninety days or more delinquent during the 12 months immediately prior to issuance of the certificates. These loans are referred to as reperforming mortgage loans because all of the mortgage loans in the pool will be current as of the issue date of the related certificates. Pools of reperforming mortgage loans will be identified by a pool prefix or in the prospectus supplement. Reperforming FHA and VA mortgage loans may experience more delinquencies and a faster rate of prepayment than mortgage loans without similar delinquency histories.

Loans with Original Principal Balances Exceeding Our Traditional Conforming Loan Limits

In recent years, Congress has passed several statutes that have provided us with either temporary or permanent authority to purchase mortgage loans that exceed our general conforming loan limit because the properties securing those mortgage loans are in certain "high-cost" areas. See "**FANNIE MAE PURCHASE PROGRAM—Mortgage Loan Eligibility Standards—Conventional Loans—*Dollar Limitations***" for additional information regarding our general conforming loan limits and our ability to purchase mortgage loans that exceed these general conforming loan limits in certain "high-cost" areas.

Securities bearing a CI or CL prefix (or any other prefix eligible for "good delivery" for a "TBA" or "to be announced" trade) may include mortgage loans with an original principal balance exceeding our general conforming loan limit if (i) the mortgage loans have an origination date on or after October 1, 2008 and (ii) the aggregate issue date unpaid principal balance of the mortgage loans does not exceed 10% of the issue date principal balance of the related certificates.

We generally do not limit the concentration of mortgage loans with original principal balances above our general conforming loan limits in pools bearing prefixes that are not eligible for good delivery in a TBA trade. You should review the pool statistics portion of the applicable prospectus supplement for additional information regarding the loan size of the mortgage loans in your pool.

Any pool containing mortgage loans designated by a lender as "jumbo-conforming mortgage loans" will contain a table in the pool statistics portion of the prospectus supplement showing the percentage of the pool that consists of jumbo-conforming mortgage loans. For this purpose, a "jumbo-conforming mortgage loan" is a conventional mortgage loan that (i) was originated on or after July 1, 2007 but not later than December 31, 2008 and (ii) had an original principal balance in excess of our general conforming loan limit at the time we purchased the loan.

FANNIE MAE PURCHASE PROGRAM

The 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 direct servicers that service our loans. See **"FANNIE MAE"** for information regarding the Charter Act and its purpose.

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Conventional Loans

Dollar Limitations

The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. Since early 2008, there have been two sets of loan limits: "general" and "high-cost." The general conforming loan limits typically are adjusted annually and currently apply to loans secured by property in areas that are not considered by FHFA to be "high-cost" areas. As of January 1, 2012, our general conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is $417,000. The general conforming loan limit is higher for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, where it is $625,500.

As of January 1, 2012, our general conforming loan limit for conventional loans secured by first liens on residences containing two dwelling units is $533,850, three dwelling units is $645,300 and four dwelling units is $801,950. For mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, the limit is 50% higher for each category of residence.

The first "high-cost" loan limits applied to loans originated beginning on July 1, 2007 and were adjusted through legislation as follows:

Economic Stimulus Act of 2008 (ESA): Temporarily increased the conforming loan limit for mortgage loans that were secured by properties in certain "high-cost" areas and that were originated between July 1, 2007 and December 31, 2008. For a one-family residence, the loan limit increased to 125% of the area's median house price, up to a maximum of $729,750. The loan limit would be at least $417,000 in any area.

Housing Economic and Recovery Act of 2008 (HERA): Amended our Charter Act to expand the definition of a conforming loan to include higher loan limits for mortgage loans that are secured by properties in "high-cost" areas and that are originated on or after January 1, 2009. For a one-family residence, the "high-cost" conforming loan limit is equal to 115% of the area's median house price, up to a maximum of 150% of the general conforming loan limit (which maximum is $625,500 for a first lien loan secured by a one-family residence as of January 1, 2012). The loan limit would be at least $417,000 in any area.

American Recovery and Reinvestment Act of 2009 (ARRA): As enacted and then amended, granted us authority to acquire mortgage loans originated in 2009, 2010 and the first nine months of 2011 that are secured by properties in certain designated "high-cost" areas and that meet the higher of the two conforming loan limits established by ESA and HERA. The maximum loan limit under this authority for a one-family residence located in a designated "high-cost" area was $729,750 until October 1, 2011, when the maximum loan limit dropped to $625,500, where it remained at January 1, 2012. A list of "high-cost" areas affected by this legislation is available on our Web site and on FHFA's Web site. The maximum "high-cost" loan limits for loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands are 50% higher than the "high-cost" loan limits for the rest of the United States.

Our conforming loan limit for mortgage loans secured by subordinate liens on single-family one to four-unit residences is 50% of the general conforming loan limit for first lien loans secured by one-unit residences. As of January 1, 2012, the conforming loan limit for subordinate lien loans is $208,500. For subordinate lien loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, the limit is $312,750.

We will continue to purchase mortgage loans originated on or after July 1, 2007, through and including September 30, 2011, that were subject to the prior "high-cost" area limit.

The aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of the applicable first lien conforming loan limit for single-family one- to four-unit residences. We may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase in addition to the limits imposed under the Charter Act and by Congress.

Loan-to-Value Ratios

The Charter Act generally requires us to obtain credit enhancement whenever we purchase a conventional mortgage loan secured by a single-family one- to four-unit residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to us covering the amount in excess of 80% (at the time of purchase), repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. In our discretion, we may impose credit enhancement requirements that are more restrictive than those of the Charter Act. In addition, from time to time, pursuant to the Charter Act, we may also acquire loans that are refinances of loans that we currently hold, which do not require credit enhancement if the acquisition is in connection with our loss mitigation objectives.

Our loan-to-value ratio requirements for loans we purchase vary depending upon a variety of factors that may include, for example, the type of loan, the loan purpose, loan amount, number of dwelling units in the property securing the loan, repayment terms, seller creditworthiness, and borrower credit history. Depending upon these factors, at the date of acquisition, the current loan-to-value ratio for an ARM loan does not exceed 105% and for a fixed-rate loan generally does not exceed 125%. HARP originally permitted us to acquire an >80% LTV fixed-rate only if its loan-to-value ratio did not exceed 125%. However, under the HARP guidelines effective in December 2011, we may acquire a newly originated >80% LTV loan with a loan-to-value ratio exceeding 125% (i.e., a very high LTV loan) if the loan is a fixed-rate mortgage loan that resulted from the refinancing of an eligible very high LTV loan. Investors should review the pool statistics portion of the prospectus supplement for specific information about loan-to-value ratios for mortgage loans in their pool. Distinct prefixes designate any fixed-rate pool in which the loan-to-value ratios of the loans are (i) greater than 105% and less than or equal to 125% (CQ and CV), or (ii) greater than 125% (CR and CW). Further information about HARP may be found in "**THE MORTGAGE LOANS—High Loan-to-Value Mortgage Loans—*Newly Originated Loans***."

Underwriting Guidelines

We have established underwriting guidelines for the mortgage loans that we purchase, which are set forth in our Guides. These guidelines are designed to provide a comprehensive analysis of the characteristics of a borrower and a mortgage loan, including such factors as the borrower's credit history, the purpose of the loan, the property value and the loan amount.

We review and change our underwriting guidelines from time to time, including expanding our underwriting criteria in order to make home loans more accessible to borrowers who are members of groups that have been underserved by mortgage lenders, including low- and moderate-income families, people with no prior credit history or with less than perfect credit history, rural residents and people with special housing needs. In our discretion, we may grant waivers from our underwriting guidelines when we purchase any particular mortgage loan. From time to time, we may also purchase loans underwritten to our lenders' underwriting guidelines, which we have reviewed and approved.

Alternative or Reduced Documentation and No Documentation Mortgage Loans

Lenders may deliver mortgage loans to us that have been underwritten to guidelines allowing for reduced, alternative, or no documentation with respect to a borrower's income or assets. For loans with reduced, alternative, or no documentation, a lender typically relies more on the creditworthiness of the borrower (usually represented by credit score) and the value of the mortgaged property than it would under a full documentation program. These loans may, in some cases, have higher interest rates than full documentation loans.

In some instances, the borrower may initiate a request for a reduced, alternative or no documentation mortgage loan. In other instances, the lender may suggest that the borrower apply for one of these products or the lender may use one of these products (including for certain refinancing options that allow for less documentation) to expedite the approval process for a mortgage loan.

The speed at which you receive prepayments of principal may be affected by the presence of reduced, alternative, or no documentation mortgage loans in your pool. These loans (especially those originated in response to borrower-initiated requests) have an increased likelihood of default, which may cause early prepayments of principal to you. On the other hand, these loans (especially those originated in response to borrower-initiated requests) may prepay more slowly than full documentation loans because the borrower may have fewer options for refinancing, which may result in a slower return of principal to you.

As a result of our decision to discontinue the purchase of newly originated reduced, alternative, or no documentation mortgage loans that we classify as Alt-A, other than those loans that are refinances of existing Fannie Mae loans, we expect our acquisition of Alt-A loans to continue to be minimal in the future. Nonetheless, your pool may contain Alt-A or other alternative, reduced or no documentation mortgage loans in any concentration. Please see the most recent annual report on Form 10-K we filed with the SEC and any subsequent quarterly reports on Form 10-Q for information on our acquisition and holdings of "Alt-A" loans, as well as a description of how we classify loans as "Alt-A" for reporting purposes.

Mortgage Loan Eligibility Standards—Government Insured Loans

Dollar Limitations

The Charter Act sets no maximum dollar limitations on the loans that we can purchase if the loans are FHA-insured or VA-guaranteed.

FHA loans: The maximum loan amount for single-family FHA mortgage loans is established by statute. We purchase FHA mortgage loans up to the maximum original principal amount that the FHA will insure for the area in which the property is located.

VA loans: Our current practice is to purchase single-family VA mortgage loans up to our general conforming loan limit. We may adjust this policy to accommodate future changes to VA's maximum guaranty amount limits.

Rural Development loans: There is no maximum dollar limit for single-family mortgage loans guaranteed by Rural Development. We purchase Rural Development mortgage loans up to our general conforming loan limit.

Loan-to-Value Ratios

The maximum loan-to-value ratio for mortgage loans we purchase that are insured by the FHA or guaranteed by the VA or Rural Development is the maximum established by the FHA, VA or Rural Development for the particular program under which the mortgage was insured or guaranteed.

Underwriting Guidelines

Mortgage loans we purchase that are insured by the FHA or guaranteed by the VA or Rural Development 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. In the case of VA loans, the unguaranteed portion of the VA loan amount cannot be greater than 75% of the purchase price of the property or 75% of the VA's valuation estimate, whichever is less.

Seller and Servicer Eligibility

Before we approve a company to become a mortgage loan seller or to act as a direct 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 mortgage 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 residential mortgage loans;
- it is properly licensed, or otherwise authorized, to originate, sell or service, as applicable, residential mortgage 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 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 mortgage loan seller and direct servicer that we approve, under which, among other things, the seller or direct servicer agrees to maintain the foregoing attributes to our satisfaction.

Seller Representations and Warranties

We identify the seller or sellers of the mortgage loans in a pool in the prospectus supplement. A mortgage loan seller may hold a beneficial interest in certificates backed by a pool containing loans that the seller delivered to us.

We use a process of delegated underwriting in which lenders make specific representations and warranties to us about the characteristics of the mortgage loans we purchase. (In some cases, the lender that sold a mortgage loan to our mortgage loan seller may be the party responsible for the accuracy of the representations and warranties.) As a result, we do not independently verify most of the borrower information that is provided to us.

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, including consumer protection laws and anti-predatory lending laws;
- 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.

Moreover, we hold sellers responsible for fraud in the origination process, including fraud by a borrower or by a third party such as a mortgage loan broker or appraiser.

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

Servicing Arrangements

We are responsible for supervising and monitoring the servicing of the mortgage loans as master servicer under the trust agreement. We contract with other entities to perform servicing functions under our supervision. We refer to these entities as our direct servicers. Often, the direct servicer with which we contract is the seller that sold us the loans. Any of the duties of the direct servicer also may be performed by the master servicer. A direct servicer may hold a beneficial interest in certificates backed by a pool containing loans that the direct servicer services for us.

Direct servicers must meet the eligibility standards and performance obligations included in our Guides. All direct servicers are obligated to perform diligently all services and duties customary to servicing mortgage loans. We monitor the direct servicers' performance and have the right to remove any direct servicer with or without cause, including at any time that we consider its removal to be in the best interests of the certificateholders. If we remove a direct servicer, we may be required to pay compensation to the direct servicer, depending upon the reason for the removal. We may then enter into a servicing contract with another entity that has been approved as a direct servicer to assume servicing responsibilities for the loans that were being serviced by the former direct servicer. In the alternative, we may assume the role of direct servicer, in which case we would enter into a servicing contract with a subservicer.

Duties performed by a direct servicer may include general loan servicing responsibilities, collecting and remitting payments on the mortgage loans, administering mortgage escrow accounts, collecting insurance claims and, if necessary, making servicing advances and foreclosing on defaulted loans. Until direct servicers remit to us the payments on mortgage loans that have been collected from borrowers, they must deposit the collections into custodial accounts. See "**THE TRUST AGREEMENT—Collection and Other Servicing Procedures — *Custodial Accounts***" for a more detailed description of custodial accounts and other requirements applicable to collections from borrowers.

The Guides describe in detail the conditions under which direct servicers may be required to make servicing advances and to foreclose on loans. Fannie Mae may, from time to time, acquire the servicing rights and become the direct servicer for mortgage loans, in which case we may use a subservicer to conduct the servicing functions. In the case of a transfer to us of the servicing rights of those loans, the disclosure in our ongoing disclosures for a particular pool will identify "Fannie Mae" as the servicer.

Direct servicers are permitted to decide in their discretion whether certain servicing guidelines may be waived for a specific loan. The waiver of other guidelines may require our consent. Our Guides specify the waivers that require our consent at any specific time.

Any agreement between a direct servicer and us governing the servicing of the mortgage loans held by a trust is a contract solely between the direct 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 direct servicer. We, in our capacity as guarantor and trustee, are a third-party beneficiary of each of these agreements. This means that we may pursue remedies against direct servicers in our capacity as guarantor and trustee if the master servicer or direct 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.

Servicing Compensation and Payment of Certain Expenses

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

We typically require a direct servicer to retain an annual minimum servicing fee of 0.25% for each mortgage loan in our pools. If a pool contains loans with an annual minimum servicing fee that is less than 0.25%, we will indicate this feature by using a special prefix in the prospectus supplement. A direct servicer initially may deliver loans with servicing fees that are equal to or greater than the applicable minimum servicing fees but later securitize the portion of the servicing fees that exceed the applicable minimum servicing fees, retaining only the minimum servicing fee. In no event will the direct servicer retain less than the minimum servicing fee for a particular pool. Certificateholders will have no right to any part of any excess servicing fees that are securitized or designated for securitization. Securitization of excess servicing fees after the issue date of an issuance of certificates will not affect the rate of interest passed through on the certificates.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

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

- This discussion reflects federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.
- This discussion addresses only certificates acquired by beneficial owners at original issuance and held as capital assets (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.

- The summary does not address tax consequences of the purchase, ownership or disposition of a certificate by a partnership. If a partnership holds a certificate, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.
- This discussion may be supplemented by a discussion in any applicable prospectus supplement.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

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

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

U.S. Treasury Circular 230 Notice

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

Internal Revenue Service Guidance Regarding the Certificates

In Revenue Ruling 84-10, 1984-1 C.B. 155, the Internal Revenue Service ("IRS") 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 (i) the mandatory purchase of ARM loans from pools pursuant to a borrower's exercise of an option to convert an ARM to a fixed-rate mortgage loan, (ii) the difference between the biweekly payments of interest received under biweekly loans from mortgagors and the monthly payments of interest made to beneficial owners of certificates, or (iii) the differences between the principal and interest amounts received from mortgagors under mortgage loans that provide for the daily accrual of interest and the monthly payments of principal and interest made to beneficial owners of certificates. However, our special tax counsel, Dechert LLP, has rendered an opinion to us that the conclusions of Revenue Ruling 84-10 will be applicable to ARM pools, biweekly mortgage pools and pools that include mortgage loans providing for the daily accrual of interest.

Revenue Ruling 84-10 does not address the treatment of a transfer of mortgage loans to a multiple lender pool such as a Fannie Majors pool. A transfer of mortgage loans to a Fannie Majors pool will be treated as a taxable exchange between the lender transferring the mortgage loans and the beneficial owners of certificates in the pool at the time of transfer. You should consult your own tax advisor regarding the federal income tax consequences of a transfer of mortgage loans to a Fannie Majors pool.

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.

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

Market Discount

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

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

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

Section 1272(a)(6)

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

Premium

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

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

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

Accrual Method Election

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

Expenses of the Trust

A beneficial owner's ability to deduct its share of the fee payable to the direct 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.

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, OID and market discount 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 based on your particular circumstances.

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.

If a certificate represents an interest in a pool that contains a cooperative share loan, an escrow mortgage loan, a buydown loan, a government loan, or a loan secured by a manufactured home, you should also consider the following tax consequences applicable to an undivided interest in those loans.

In the event that any mortgage loan has a loan-to-value ratio in excess of 100% (that is, the principal balance of any mortgage loan exceeds the fair market value of the real property securing the loan), the interest income on the portion of the mortgage loan in excess of the value of the real property will not be interest on obligations secured by mortgages on real property within the meaning of section 856(c)(3)(B) of the Code and such excess portion will not be a real estate asset within the meaning of section 856(c)(5)(B) of the Code. The excess portion should represent a "Government security" within the meaning of section 856(c)(4)(A) of the Code. If a pool contains a mortgage loan with a loan-to-value ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion.

It is not certain whether or to what extent a mortgage loan with a loan-to-value ratio in excess of 100% qualifies as a loan secured by an interest in real property for purposes of section 7701(a)(19)C)(v) of the Code. Even if the property securing the mortgage loan does not meet this test, the certificates will be treated as "obligations of a corporation which is an instrumentality of the United States" within the meaning of section 7701(a)(19)(C)(ii) of the Code. Thus, the certificates will be a qualifying asset for a domestic building and loan association.

A mortgage loan with a loan-to-value ratio in excess of 125% is not a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code. Accordingly, if a pool contains a mortgage loan with a loan-to-value ratio in excess of 125%, the certificates that evidence a beneficial ownership interest in the pool will not be a suitable investment for a real estate mortgage investment conduit ("REMIC").

Cooperative Share Loans

The IRS has ruled that a cooperative share loan will be treated as a loan secured by an interest in real property, within the meaning of section 7701(a)(19)(C)(v) of the Code, provided that the dwelling unit that the cooperative's stock entitles the tenant-shareholder to occupy is to be used as a residence. The IRS also has ruled that stock in a cooperative qualifies as an interest in real property within the meaning of section 856(c)(5)(C) of the Code. Accordingly, interest on cooperative share loans qualifies as interest on obligations secured by mortgages on interests in real property for purposes of section 856(c)(3)(B) of the Code.

Escrow Mortgage Loans

In certain cases, a mortgage loan may be secured by additional collateral consisting of an escrow account held with a financial institution, referred to as an escrow mortgage loan. The escrow account could consist of an interest rate buydown account that meets the requirements of our Selling Guide or any other escrow account described in the related prospectus supplement. A beneficial owner's investment in an escrow mortgage loan generally should be treated as a loan secured by an interest in real property within the meaning of section 7701(a)(19)(C)(v) of the Code, provided the escrow account does not represent an account with the beneficial owner. In addition, an investment in an escrow mortgage loan by a real estate investment trust generally should be treated in its entirety as a real estate asset within the meaning of section 856(c)(5)(B) of the Code, provided the fair market value of the real property securing the escrow mortgage loan equals or exceeds the principal amount of such escrow mortgage loan at the time the real estate investment trust makes a commitment to acquire a certificate. Because of uncertainties regarding the tax treatment of escrow mortgage loans, you should consult your own tax advisor concerning the federal income tax treatment of investments in escrow mortgage loans.

Buydown Loans

Sometimes a lender, builder, seller or other third party may provide the funds for the interest rate buydown accounts that secure certain escrow mortgage loans, sometimes referred to as buydown loans. Under our Selling Guide, the borrower is liable for the entire payment on a buydown loan, without offset by any payments due from the buydown account. Accordingly, we plan to treat buydown loans entirely as the obligation of the borrower.

The IRS could take the position, however, that a buydown loan should be treated as if the borrower were obligated only to the extent of the net payment after application of the interest rate buydown account. If the IRS were able to maintain this position successfully, a beneficial owner of a buydown loan would be treated as holding two instruments: one representing the lender's rights with respect to the buydown account, and the other representing the borrower's debt to the extent of the net payment by the borrower. With respect to the instrument represented by the borrower's debt, this treatment would require the beneficial owner to accelerate the recognition of a portion of the interest payable after the buydown period. Moreover, during the buydown period and to the extent of the buydown account, the rulings described above regarding sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code would be inapplicable. Because of uncertainties regarding the tax treatment of buydown loans, you should consult your own tax advisor concerning the federal income tax treatment of investments in buydown loans.

Government Mortgage Loans

Because information generally is not available with respect to the loan-to-value ratios of government mortgage loans, no representations can be made regarding the qualification of such loans under sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code.

Loans Secured by Manufactured Homes

For certain purposes of the Code, a mortgage loan secured by a manufactured home is treated as secured by an interest in real property if the manufactured home satisfies the conditions set forth in section 25(e)(10) of the Code. That section requires a manufactured home to have a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and to be of a kind customarily used at a fixed location. Although Revenue Ruling 84-10 does not specifically refer to mortgage loans secured by manufactured homes, the conclusions discussed above regarding sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code should be applicable to a beneficial owner's investment in a mortgage loan that is secured by property described in section 25(e)(10). Unless we state otherwise in the prospectus supplement or use a special pool prefix for pooling mortgage loans secured by manufactured homes, the conditions of section 25(e)(10) will be satisfied.

Mortgage Loan Servicing

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

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

A mortgage loan is effectively not treated as a stripped bond, however, if the mortgage loan meets either the 100 basis point test or the de minimis test. A mortgage loan meets the 100 basis point test if the total amount of servicing compensation on the mortgage loan does not exceed reasonable compensation for servicing by more than 100 basis points. A mortgage loan meets the de minimis test if (i) the discount at which the mortgage loan is acquired is less than 0.25 percent of the remaining principal balance of the mortgage loan multiplied by its weighted average remaining life; or (ii) in the case of wholly self-amortizing mortgage loans, the acquisition discount is less than 1/6 of one percent times the number of whole years to final stated maturity. In addition, servicers are given the opportunity to elect to treat mortgage servicing fees up to a specified number of basis points (which depends on the type of mortgage loans) as reasonable servicing. No guidance has been provided as to the effect, if any, of such safe harbors and any elections thereunder on beneficial owners of mortgage loans.

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

Information Reporting and Backup Withholding

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

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

Foreign Investors

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

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

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

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

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

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

PLAN OF DISTRIBUTION

Certificates backed by mortgage loans delivered to us by a mortgage loan seller are issued to the seller in exchange for the mortgage loans. Certificates backed by portfolio pools containing mortgage loans previously held in our portfolio may be issued to us in our corporate capacity in exchange for those mortgage loans or may be sold to dealers or third party investors through a bidding process. Fannie Majors are usually backed by mortgage loans delivered to us by more than one mortgage loan seller and represent beneficial interests in the entire pool of mortgage loans backing the Fannie Major. In each case, we are the depositor of the mortgage loans into the trust, the trustee for the trust, and the master servicer of the mortgage loans in the trust. Mortgage loan sellers, dealers and third party investors may retain the certificates or sell them in the secondary mortgage market.

ACCOUNTING CONSIDERATIONS

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

LEGAL INVESTMENT CONSIDERATIONS

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

ERISA CONSIDERATIONS

ERISA 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, a specified mortgage loan or participation interest in a mortgage loan and that is guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgage loans in the pool. Our counsel, 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 SINGLE-FAMILY MBS POOL PREFIXES

Below is a current listing of pool prefixes that we use most frequently. Our prefixes may be modified or supplemented from time to time. For a more complete listing and description of our current pool prefixes, please refer to our Web site at www.fanniemae.com.

CA . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; assumable.

CI . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.

CJ . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less:

- Pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through September 30, 2008; or
- More than 10% of the pool issue balance is comprised of any combination of:
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by the Economic Stimulus Act of 2008 (ESA), or
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by the Housing and Economic Recovery Act of 2008 (HERA), or
  - loans originated during 2009 with an original principal balance up to the loan limit established by the American Recovery and Reinvestment Act of 2009 (ARRA), or
  - loans originated during 2010 with an original principal balance up to the loan limit established by Public Law (or P. L.) No. 111-88, or
  - loans originated during 2011 with an original principal balance up to the loan limit established by Public Law (or P.L.) No. 111-242; or
- Pool contains loans originated before October 1, 2008 with an original principal balance up to the loan limit established by HERA.

CK . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less:

- Pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through September 30, 2008; or
- More than 10% of the pool issue balance is comprised of any combination of
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by ESA, or
  - loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by HERA, or
  - loans originated during 2009 with an original principal balance up to the loan limit established by ARRA, or
  - loans originated during 2010 with an original principal balance up to the loan limit established by Public Law (or P. L.) No. 111-88, or
  - loans originated during 2011 with an original principal balance up to the loan limit established by Public Law (or P.L.) No. 111-242; or
- Pool contains loans originated before October 1, 2008 with an original principal balance up to the loan limit established by HERA.

CL . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.

CN . . . . Conventional Short-Term, Level-Payment Mortgages; Single-Family; maturing or due in 10 years or less.

CQ . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. Pool is comprised entirely of mortgages with loan-to-value ratios greater than 105% and less than or equal to 125%.

CR . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. Pool is comprised entirely of mortgages with loan-to-value ratios greater than 125%. **Effective June 1, 2012**.

CT . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.

CV . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less; Pool is comprised entirely of mortgages with loan-to-value ratios greater than 105% and less than or equal to 125%.

CW . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. Pool is comprised entirely of mortgages with loan-to-value ratios greater than 125%. **Effective June 1, 2012**.

CX . . . . Conventional Intermediate-Term, Balloon, Level-Payment Mortgages; Single-Family; maturing or due in seven years or less.

CZ . . . . Conventional Extra Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less.

GA . . . . Government, Adjustable-Rate Mortgages; Single-Family. Pool may contain certain higher balance FHA loans originated on or after March 6, 2008.

GL . . . . Government, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less; pool may contain certain higher balance FHA loans originated on or after March 6, 2008.

GO . . . . Government, Level-Payment Mortgages; Single-Family; pool is comprised entirely of loans which were delinquent for 90 days or more during the 12 months prior to the Pool Issue Date. All loans are current as of the Pool Issue Date.

JI . . . . Conventional Intermediate-Term Mortgages; Single-Family; maturing or due in 15 years or less. Pool meets any of the following criteria:

- more than 15 percent of pool issue date balance is comprised of loans with more than one special product characteristic (as defined in the Fannie Mae Guides),
- pool contains loans with one or more other unique characteristics (see individual Prospectus Supplement for details), or
- pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

JL . . . . Conventional Long-Term Mortgages; Single-Family; maturing or due in more than 15 years. Pool meets any of the following criteria:

- more than 15 percent of pool issue balance is comprised of loans with more than one special product characteristic (as defined in the Fannie Mae Guides),
- pool contains loans with one or more other unique characteristics (see individual Prospectus Supplement for details), or
- pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

K0 . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in more than 15 years but less than or equal to 30 years. The pool issue balance is comprised entirely of loans that have a three-year prepayment premium provision.

KI . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.

KL . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.

LA . . . . Adjustable-Rate Mortgages; Single-Family; uniform 5/1 hybrid; indexed to the one-year Wall Street Journal London Interbank Offered Rate (LIBOR); five-year initial fixed period; 5 percent cap initial interest rate adjustment, 2 percent cap subsequent interest rate adjustments, with a 5 percent lifetime cap; minimum servicing of 12.5 basis points; stated MBS pool accrual rate in initial fixed period and stated MBS margin.

LB . . . . Adjustable-Rate Mortgages; Single-Family; LIBOR; lifetime caps are pool-specific

LC . . . . Conventional Adjustable-Rate Jumbo-Conforming Mortgages; Single-Family; LIBOR; pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

LD . . . . Conventional Adjustable-Rate Jumbo-Conforming Mortgages; Single-Family; LIBOR; pool contains jumbo-conforming loans with an origination date on or after March 1, 2008.

NP . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than or equal to seven years and less than or equal to 10 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.

RE . . . . Conventional Long-Term, Level-Payment Relocation Mortgages; Single-Family.

S1 . . . . Conventional Long-Term Adjustable-Rate Mortgages; Single Family; includes a wide variety of ARM types and indices; maturing or due in 30 years or less; minimum servicing fee on each loan in the pool is 12.5bps.

S2 . . . . Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single Family; includes a wide variety of ARM types and indices; maturing or due in 40 years or less; minimum servicing fee on each loan in the pool is 12.5bps.

WD . . . . Adjustable-Rate Mortgages; Single-Family; indexed to the one-year Treasury Constant Maturity; extended fixed initial period; annual changes thereafter; various caps at first adjustment; 2 percent per interest rate adjustment thereafter; lifetime caps are pool-specific.

WS . . . . Conventional Adjustable-Rate Mortgages; Single-Family. Includes a wide variety of ARM types and indices.

WZ . . . . Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a variety of ARM types and indices; maturing or due in 40 years or less.

Exhibit B

SAMPLE POOL STATISTICS

All information in this exhibit is for illustrative purposes only and should not be deemed to represent any actual issuance. Moreover, certain information is applicable only to adjustable-rate mortgages. Please see Exhibit C: Pool Statistics Methodology for further information about the sample pool statistics.

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM

SUPPLEMENT TO PROSPECTUS DATED FEBRUARY 01, 2012

$1,167,254.00
ISSUE DATE MARCH 01, 2012
SECURITY DESCRIPTION FNAR 01.2345 WD-123456
3.2240 INITIAL POOL ACCRUAL RATE
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1

PRINCIPAL AND INTEREST PAYABLE ON THE 25TH OF EACH MONTH
BEGINNING APRIL 25, 2012

POOL STATISTICS

(1)SELLER	ABC SELLER
(1)SERVICER	XYZ SERVICER
NUMBER OF MORTGAGE LOANS	6
(2)AVERAGE ORIGINAL LOAN SIZE	$194,725.00
(10)MATURITY DATE	03/01/2042
(3)INITIAL INTEREST RATE CHANGE DATE	03/01/2017
(4)WEIGHTED AVERAGE MONTHS TO ROLL	59 mo
SUBTYPE	204W
CONVERTIBLE	NO
TRANSFER TYPE	W (Wire)
PASS THROUGH METHOD	W (Weighted)
(5)WEIGHTED AVERAGE COUPON RATE	3.8490%
(6)MAXIMUM POOL ACCRUAL RATE	9.2240%
(7)MINIMUM POOL ACCRUAL RATE	0.0000%
(8)WEIGHTED AVERAGE LOAN AGE	1 mo
(9)WEIGHTED AVERAGE LOAN TERM	360 mo
(10)WEIGHTED AVERAGE REMAINING MATURITY	359 mo
(11)WEIGHTED AVERAGE LTV	73%
(11)WEIGHTED AVERAGE CLTV	73%
(12)WEIGHTED AVERAGE CREDIT SCORE	690
(12)% UPB WITHOUT CREDIT SCORE	25.7%
(13)% UPB WITH 1st PAYMENT DUE—ISSUE + 2MONTHS	0.0000%
(14)% UPB WITH THIRD PARTY ORIGINATION	57.27%

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED FEBRUARY 01, 2012
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1
POOL STATISTICS PAGE 2 OF 4

(15)QUARTILE DISTRIBUTION

Loan Size	
MAX	$300,000.00
75%	300,000.00
MED	199,050.00
25%	172,100.00
MIN	127,200.00

Coupon Rate	
MAX	4.250
75%	4.000
MED	3.750
25%	3.750
MIN	3.500

LTV	
MAX	95
75%	88
MED	80
25%	40
MIN	40

Credit Score	
MAX	720
75%	700
MED	675
25%	650
MIN	600

Loan Term (# Of Months)	
MAX	360
75%	360
MED	360
25%	360
MIN	360

Loan Age (# Of Months)	
MAX	1
75%	1
MED	1
25%	0
MIN	0

Remaining Maturity (# Of Months)	
MAX	360
75%	360
MED	359
25%	359
MIN	359

(16)LOAN PURPOSE

	# Of Loans	%	Aggregate UPB
PURCHASE	6	100.00	$1,167,254.62
REFINANCE	0	0.00	0.00

(17)PROPERTY TYPE

# Of Units	# Of Loans	%	Aggregate UPB
1	6	100.00	$1,167,254.62
2 — 4	0	0.00	0.00

(18)OCCUPANCY TYPE

Type	# Of Loans	%	Aggregate UPB
PRINCIPAL RESIDENCE	6	100.00	$1,167,254.62
SECOND HOME	0	0.00	0.00
INVESTOR	0	0.00	0.00

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED FEBRUARY 01, 2012
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1
POOL STATISTICS PAGE 3 OF 4

(19)NON-STANDARD LOANS

Type	# Of Loans	% Of UPB	Aggregate UPB
RELOCATION	4	66.67	$778,169.82
INTEREST RATE BUYDOWN	2	33.33	389,084.80

(20)DISTRIBUTION OF LOANS BY FIRST SCHEDULED AMORTIZATION

First Scheduled Amortization	Original Interest Rate	# Of Loans	Aggregate UPB
03/01/17	4.01 – 5.00	4	$778,169.82
04/01/17	4.01 – 5.00	2	389,084.80

(21)ORIGINATION YEAR

Year	# Of Loans	%	Aggregate UPB
2012	6	100.00	$1,167,254.62

Year	# Of Loans	%	Aggregate UPB

(22)GEOGRAPHIC DISTRIBUTION

State	# Of Loans	%	Aggregate UPB
GEORGIA	1	17.96	$209,669.51
LOUISIANA	2	42.73	498,763.20
MICHIGAN	1	10.90	127,200.00

State	# Of Loans	%	Aggregate UPB
NEW HAMPSHIRE	1	14.72	171,862.89
TEXAS	1	13.69	159,759.02

(1)SERVICER

Servicer Name	# Of Loans	% Of UPB	Aggregate UPB
XYZ SERVICER	6	100.00	$1,167,254.62

(23)ORIGINATION TYPE

Type	# Of Loans	% Of UPB	Aggregate UPB
BROKER	2	28.86	$336,869.51
CORRESPONDENT	2	28.41	331,621.91
RETAIL	2	42.73	498,763.20

[24]DISTRIBUTION OF LOANS BY FIRST PAYMENT DATE

Date	Original Interest Rate	# Of Loans	Aggregate UPB
03/01/12	BELOW – 5.00	4	$778,169.82
04/01/12	BELOW – 5.00	2	389,084.80

CURRENT INTEREST RATES

Current Mortgage Interest Rate	# Of Loans	Aggregate UPB
BELOW — 5.00	6	$1,167,254.62

[25]GROSS MARGINS

Current Loan Margins	# Of Loans	Aggregate UPB
2.7500	6	$1,167,254.62

[26]NEXT RATE CHANGE DATE TABLE

Date	% Of Bal	MBS Margin High	MBS Margin Low	MBS Margin	Net Coupon High	Net Coupon Low	Wtd Avg Net Coupon	Net Life Caps High	Net Life Caps Low	Net Life Floor High	Net Life Floor Low
03/01/17	63.0000	2.1250	2.1250	2.1250	3.6250	2.8750	3.2370	9.6250	8.8750	0.0000	0.0000
04/01/17	37.0000	2.1250	2.1250	2.1250	3.3750	3.1250	3.1990	9.3750	9.1250	0.0000	0.0000
Wt Avg		2.1250			3.2240			9.2240		0.0000	

Exhibit C

POOL STATISTICS METHODOLOGY

We provide to certificateholders the information that is reported to us by mortgage loan sellers. If a mortgage loan seller delivers mortgage loans to us with characteristics that do not fall within the parameters of the representations and warranties made to us in connection with the delivery, the mortgage loan seller may be obligated to purchase the affected mortgage loans. Certificateholders should make their own conclusions regarding the data provided in the prospectus supplement.

We may update certain information about each pool on an ongoing monthly basis on our Web site.

The issue date principal balance of each pool may vary by up to 1% from the amount specified in the prospectus supplement.

(1)*Seller and Servicer*

For each pool, we will provide the name of the mortgage loan seller (the entity that delivered the mortgage loans to us) and the direct servicer (the entity that is servicing the mortgage loans upon delivery to us). For pools that have multiple mortgage loan sellers, we will state "multiple" in the pool statistics section of the prospectus supplement. For pools that have multiple direct servicers, we will provide a table in the pool statistics section of the prospectus supplement listing the names of all direct servicers that service 5% or more of the pool (calculated by unpaid principal balance as of the issue date), the number of loans serviced by each of these direct servicers, the percent of the pool's unpaid principal balance as of the issue date that they service and the aggregate unpaid principal balance of the loans serviced by each of them.

(2)*Average Original Loan Size*

On the issue date we will calculate both a simple average and a quartile distribution of the original unpaid principal balances of all of the underlying mortgage loans in the pool.

(3)*Initial Interest Rate Change Date*

For a pool containing ARM loans, we state the first interest rate change date of the loan that has the earliest first interest rate change date of the underlying mortgage loans in the pool.

(4)*Weighted Average Months to Roll*

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

(5)*Weighted Average Coupon Rate*

On the issue date we will calculate both a weighted average and a quartile distribution of the interest rates then in effect on the underlying mortgage loans in the pool.

(6)*Maximum Pool Accrual Rate*

For a pool containing ARM loans, on the issue date we will calculate the maximum pool accrual rate that would accrue for that pool if all of the underlying mortgage loans in the pool were accruing interest at the maximum rate (less total fees) provided in their respective loan documents.

(7)*Minimum Pool Accrual Rate*

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

(8)*Loan Age*

On the issue date we will calculate both a weighted average and a quartile distribution of the ages of the underlying mortgage loans in the pool. The age of a mortgage loan is the number of months from the loan's origination to the issue date of the certificates. For purposes of calculating this data element, origination shall mean the date on which the first full month of interest begins to accrue on the mortgage loan.

(9)*Loan Term*

On the issue date we will calculate both a weighted average and a quartile distribution of the loan terms of the underlying mortgage loans in the pool. The loan term for a mortgage loan is the number of months in which regular scheduled borrower payments are due under the terms of the related mortgage note. For pools backed by balloon mortgage loans, we will populate this field with the amortization term.

(10)*Remaining Maturity*

On the issue date we will calculate both a weighted average and a quartile distribution of the calculated maturity for the underlying mortgage loans in the pool. The calculated maturity for a mortgage loan is the number of months remaining until the borrower will pay off the related mortgage loan, assuming that the borrower makes all future scheduled 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 mortgage note if a borrower has made any partial prepayments prior to the date of calculation. The maturity date of a pool as stated in the prospectus supplement is the latest calculated maturity of any of the underlying mortgage loans in the pool, as calculated on the issue date.

(11)*Loan-to-Value Ratio/Combined Loan-to-Value Ratio*

On the issue date we will calculate both a weighted average and a quartile distribution of the loan-to-value ratios for the underlying mortgage loans in the pool, which are expressed as percentages. We generally require the loan-to-value ratio of an underlying mortgage loan to be a comparison of the original principal balance of the mortgage loan and either (1) in the case of a purchase, the lower of the sales price of a mortgaged property or its appraised value at the time of a sale, or (2) in the case of a refinancing, the appraised or estimated value of the mortgaged property at the time of refinancing. However, we sometimes use other methods to determine the property value of a mortgaged property. For instance, the loan-to-value ratio for a mortgage loan that is a refinancing or a modified loan may be based on a comparison of the issue date principal balance of that loan and the property value of the related mortgaged property determined at the origination of the original mortgage loan. Moreover, for loans that originally provided for a balloon payment and are redelivered as new fixed-rate loans (generally seven year balloon loans with new terms of 23 years), and ARM loans that converted to fixed-rate and are redelivered as new fixed-rate loans, the loan-to-value ratio may be based on a comparison of the issue date principal balance of that loan and the property value of the related mortgaged property determined at the origination of the original mortgage loan. In any case, an appraisal or other valuation method is merely an estimate of the value of a mortgaged property and may not reflect the actual amount received upon sale or liquidation. For pools containing government mortgage loans, such as mortgage loans insured by FHA or guaranteed by VA, we do not provide loan-to-value ratios.

We will also provide a weighted average combined-loan-to-value ratio or CLTV. The CLTV reflects the loan-to-value ratio inclusive of all loans secured by a mortgaged property on the origination date of the underlying mortgage loan and is calculated by adding together (i) the original loan amount of the first lien mortgage loan, (ii) the amount then currently drawn on a home equity line of credit as of the origination date of the underlying mortgage loan, and (iii) the outstanding principal balance of any other subordinate mortgage loan as of the origination date of the underlying mortgage loan, and dividing the resulting sum by the lower of (x) the sales price of the mortgaged property and (y) the appraised value of the mortgaged property.

(12) ***Credit Score of Borrowers***

Credit scores are often used by the financial services industry to evaluate the quality of borrowers' credit. Credit scores are typically based on a proprietary statistical model that is developed for use by credit data repositories. These credit repositories apply the model to borrower credit information to arrive at a credit score. One statistical model used widely in the financial services industry was developed by Fair, Isaac & Company, Inc. ("Fair Isaac"). This model is used to create a credit score called the FICO® score. FICO scores can vary depending on which credit repository is using the Fair Isaac model to supply the score. FICO scores, as reported by the credit repositories, may range from a low of 300 to a high of 850. According to Fair Isaac, a high FICO score indicates a lesser degree of credit risk.

Mortgage loan sellers that provide us with credit scores typically deliver FICO credit scores. If credit scores have been provided to us for underlying mortgage loans in a pool, we will provide both a weighted average and a quartile distribution of the scores in the prospectus supplement. We request our mortgage loan sellers to provide us credit scores, as a matter of course. If no credit score is delivered, the prospectus supplement will set forth the percentage of the aggregate issue date unpaid principal balance of the loans for which no credit score was delivered. These loans will be excluded from the quartile distribution and from the weighted average calculation. If there are two borrowers on a mortgage loan and one credit score is provided, we will use, for our calculations, the one score that was provided. We will not use the other score in the "percent missing" calculation. The credit scores provided to us were obtained at a single point between the date of application for a mortgage loan and the date of origination of a mortgage loan. Certificateholders should note that a borrower's credit score may have changed after the date it was obtained. Thus, a credit score obtained at application or at origination may have no relation to a borrower's credit score at the time the certificates backed by that loan are issued. We do not guarantee the methodology used to determine the credit score or the utility of a credit score to a certificateholder.

(13) ***Percentage UPB with 1(st) Payment Due – Issue + 2 Months***

We provide the percent of the aggregate issue date unpaid principal balance of the mortgage loans in the pool 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) with respect to that percentage of loans.

(14) ***Percentage UPB with Third Party Origination***

We will provide the percent of the aggregate issue date unpaid principal balance of the mortgage loans in the pool that were originated by a lender correspondent or a broker.

(15) ***Quartile Calculations***

We calculate the quartile figures set forth in the pool statistics as follows. For each mortgage loan characteristic where quartile figures appear, we order each loan in the pool from the highest to the lowest value. For example, in the case of loan-to-value ratios, we would order each loan in the pool from the loan with the highest loan-to-value ratio to the loan with the lowest loan-to-value ratio. The lowest loan-to-value ratio would appear in the pool statistics under "MIN." We determine the next figure for that loan characteristic in the quartile table by counting the loans starting with the lowest value and continuing upward until the issue date unpaid principal balance of the loans so counted equals 25% of the issue date unpaid principal balance of all the loans in the pool. The value associated with the last loan so counted appears in the quartile distribution table under "25%." We then determine the next figure for that loan characteristic in the quartile table by counting all of the loans starting with the lowest value and continuing upward until the issue date unpaid principal balance of the loans so counted equals 50% of the issue date unpaid principal balance of all the loans in the pool. The value associated with the last loan so counted appears in the quartile distribution table under "MED." We then repeat this process to determine the next figure for that loan characteristic by counting all of the loans starting with the lowest value and continuing upward until the issue date unpaid principal balance of the loans so counted equals 75% of the issue date unpaid principal balance of all the loans in the pool. The value associated with the last loan so counted appears in the quartile distribution table under "75%." The highest value for any mortgage loan in a pool appears in the quartile distribution table under "MAX."

(16)*Loan Purpose*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that are either refinance mortgage loans or purchase money mortgage loans. We also will provide the aggregate issue date unpaid principal balance of each category of loans and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of each category of loans. Mortgage loans that were modified prior to delivery to us in lieu of a traditional refinance will be shown as refinance mortgage loans in this table.

(17)*Property Type*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that are secured by one-unit properties and by two-to-four unit properties, the aggregate issue date unpaid principal balance of loans secured by each property type and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of loans secured by each property type.

(18)*Occupancy Type*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that, as of their respective origination dates, were secured by principal residences, second homes, or investment properties. We also will provide the aggregate issue date unpaid principal balance of loans secured by each property occupancy type and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of loans secured by each property occupancy type. The actual occupancy of the properties as of the issue date has not been verified.

(19)*Non-Standard Loans*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that are cooperative share loans, relocation loans, or significant temporary interest rate buydown loans. We also will provide the aggregate issue date unpaid principal balance of each type of loan and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of each type of loan.

(20)*Distribution of Loans by First Scheduled Amortization*

We will provide a table that includes information as of the issue date for certain pools of loans that have initial interest-only periods. The table will list each date on which an underlying mortgage loan in the pool has its first scheduled monthly payment with principal and will disclose, for each such date, the number, the original interest rate, and the aggregate issue date unpaid principal balances of the loans with their first scheduled monthly payments with principal on that date.

(21)*Origination Year*

We will provide a table that includes information as of the issue date on the aggregate issue date unpaid principal balance of the underlying mortgage loans in the pool originated in a particular year, the count of the loans by such year, and the percentage of the entire pool (by issue date unpaid principal balance) that is comprised of loans originated in each such year. For purposes of this calculation, origination year shall mean the year in which such loan closed.

(22)*Geographic Distribution*

We will provide a table that includes information as of the issue date on the geographic distribution by state of the mortgaged properties securing the underlying mortgage loans in the pool. We will provide the count of the loans by state, the aggregate issue date unpaid principal balance of those loans, and the percentage of the entire pool (by issue date unpaid principal balance) comprised of loans secured by properties in each state.

(23)*Origination Type*

We will provide a table that includes information as of the issue date on the number of underlying mortgage loans in the pool that were originated by the mortgage loan seller (for purposes of this table, the term "mortgage loan seller" includes the lender that sold us the loans and its parent, affiliates and subsidiaries); the number that were originated by a lender correspondent; and the number that were originated by a mortgage loan seller or a lender correspondent using the services of a broker. We also will provide the aggregate issue date unpaid principal balance of those loans and the percentage of the entire pool (by issue date unpaid principal balance) comprised of loans in each category. We define these origination categories as follows:

Retail: A mortgage loan for which the mortgage loan seller takes the mortgage loan application and then processes, underwrites, funds and delivers the mortgage loan to us. The loan is closed in the name of the mortgage loan seller, which may or may not service the loan. This definition may include joint ventures between the mortgage loan seller and another entity, provided that the mortgage loan seller retains control of the joint ventures (either through majority ownership or voting rights). The term "retail" may also, from time to time, include certain mortgage loans originated pursuant to a contractual arrangement, specifically approved by us, between a third party and the mortgage loan seller by which the third party may perform one or more of the functions (but not all) related to the origination of the mortgage loan, including taking the mortgage loan application, processing, underwriting, funding or delivering the mortgage loan to us.

Correspondent: A mortgage loan that is originated by a party other than a mortgage loan seller and is then sold to a mortgage loan seller. A lender correspondent generally performs some (or all) of the loan processing functions (such as taking loan applications; ordering credit reports, appraisals, and title reports; verifying a borrower's income and employment; etc.) as well as underwriting and funding the mortgage loan at settlement. The mortgage loan is closed in the name of the lender correspondent, which may or may not service the loan. In certain instances, a correspondent loan may be originated under circumstances in which a broker performs some of the loan processing functions but the loan is funded by the lender correspondent at settlement. In that case, the loan would typically be classified as a correspondent loan even though there was some involvement by a broker.

Broker: A mortgage loan that is originated under circumstances where a person or firm other than a mortgage loan seller or lender correspondent is acting as a "broker" and receives a commission for bringing together a borrower and a lender. The broker performs some (or most) of the loan processing functions (such as taking loan applications; ordering credit reports, appraisals, and title reports; verifying a borrower's income and employment; etc.), but it typically does not actually underwrite the loan, fund the loan at settlement, or service the loan. The mortgage loan is closed in the name of and funded by the mortgage loan seller (or, in some cases, the lender correspondent) that commissioned the broker's services.

(24)*Distribution of Loans by First Payment Date*

For pools containing ARM loans, we will provide a table that includes information as of the issue date on the distribution of the underlying mortgage loans in a pool by their first payment date and the number of underlying mortgage loans in the pool having each such listed first payment date. We will also provide the aggregate issue date unpaid principal balance of these mortgage loans.

(25)*Gross Margins*

For pools containing ARM loans, we will provide a table that includes information as of the issue date on the mortgage loan margins (as stated in the mortgage note) and the number of underlying mortgage loans in the pool having each such listed mortgage loan margin. We will also provide the aggregate issue date unpaid principal balance of these mortgage loans.

The mortgage margin may be 0% for certain ARM loans in a pool. When we subtract the applicable fee percentage from the mortgage margin, the resulting MBS margin for the ARM loan may have a negative value, as shown in the pool statistics. Although the loan's accrual rate for each such ARM loan of this type will still equal the negative MBS margin, the pool accrual rate (which is a weighted average of the loan accrual rates for all of the loans in a pool) will never be less than 0%. If all of the loans in a pool have a negative pass-through rate, we will cause the pool accrual rate to equal 0%.

(26)*Next Rate Change Date Table*

For pools containing ARM loans, we will provide a table that includes information as of the issue date on the next rate change date for the underlying mortgage loans in a pool, including the percentage of the pool (by aggregate issue date unpaid principal balance) that will have its next rate change on the listed dates, and MBS margin, coupon, cap, and floor information.

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

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

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

TABLE OF CONTENTS

Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans)

SINGLE-FAMILY MBS PROSPECTUS

FannieMae®

February 1, 2012