

Federal National Mortgage Association



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

THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND DO NOT CONSTITUTE AN OBLIGATION OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE. THE CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.

The Guaranteed Multifamily REMIC Pass-Through Certificates that will be offered pursuant to this Prospectus and the related Prospectus Supplement (collectively, the "Certificates") will be issued and guaranteed by the Federal National Mortgage Association ("Fannie Mae"), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Certificates will be issued in series (each, a "Series"), which Series may also include one or more classes of certificates that will not be offered by this Prospectus and the related Prospectus Supplement or guaranteed by Fannie Mae (collectively, the "Subordinate Classes"). The extent to which the rights of the holders of the Certificates will be senior to the rights of the holders of the Subordinate Classes to receive distributions thereon will be set forth in the related Prospectus Supplement. The Certificates of each Series will evidence a direct or indirect beneficial ownership interest in a trust (a "Series Trust"), the assets of which (the "Series Trust Assets") will consist of one of the following: (1) one or more pools (each, a "Mortgage Pool") of (a) mortgage loans (or participation interests therein) ("Mortgage Loans") secured by first or (if the related Prospectus Supplement so provides) second liens on fee or leasehold interests in multifamily projects consisting of five or more dwelling units, which bear fixed rates of interest and some of which may have balloon payments or other unique features or (b) Mortgage Loans, which bear adjustable rates of interest and some of which may have balloon payments, deferred interest or other unique features and, in each case, the Trust Account (as hereinafter defined) and all cash and investments held therein (collectively, as to any Series of Certificates, the "Mortgage Loan Series Trust"); (2) one or more Fannie Mae Guaranteed Mortgage Pass-Through Certificates representing all or part of the beneficial ownership interests in a Mortgage Pool or Mortgage Pools ("MBS") and the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the "MBS Series Trust"); or (3) certificates, which will be issued by an issuer that is not affiliated with Fannie Mae and will evidence all or a part of the direct or indirect beneficial ownership interest in Mortgage Loans that will not have been owned by Fannie Mae ("Underlying Certificates") and the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the "Underlying Series Trust"), subject to the limits and the order of distribution described herein and in the related Prospectus Supplement. In the case of a Mortgage Loan Series Trust or Underlying Series Trust, the Certificates and any Subordinate Classes and, in the case of an MBS Series Trust, the Certificates, will evidence the entire direct or indirect beneficial ownership interest in such trust.

For (i) a Mortgage Loan Series Trust, certain information relating to the Mortgage Pool or Mortgage Pools included therein will be set forth in the related Prospectus Supplement; (ii) an MBS Series Trust, the general characteristics of the MBS included therein are described in the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS Prospectus") and the general characteristics of such MBS, and certain information relating to the Mortgage Pool or Mortgage Pools underlying such MBS, will be set forth in the related Prospectus Supplement; and (iii) an Underlying Series Trust, the general characteristics of the Underlying Certificates, and certain information relating to the Mortgage Loans underlying such Certificates, will be set forth in the related Prospectus Supplement. The Series Trust Assets will be held for the Holders (as hereinafter defined) of Certificates and, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, the holders of any Subordinate Classes, by Fannie Mae in its capacity as Trustee of the related Series Trust.

Pursuant to the guaranty of the Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders of Certificates, whether backed by Mortgage Loans or MBS, required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date (as hereinafter defined), whether or not sufficient funds are available in the Trust Account. In addition, in the case of an MBS Series Trust, pursuant to the guaranty of the MBS, Fannie Mae will guaranty timely payment of principal of and interest on the underlying Mortgage Loans. The extent to which Fannie Mae's guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement.

Each Series will include two or more Classes of Certificates, which may include one or more Accrual Classes (as hereinafter defined). Interest on each interest bearing Class of Certificates other than an Accrual Class will be distributable on each Distribution Date specified in the related Prospectus Supplement. Interest accrued on each Accrual Class will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement. Unless otherwise provided in the Prospectus Supplement, principal distributions on each Class of Certificates of a Series will be made pro rata among all Certificates of such Class.

Scheduled payments of principal of and interest on the Mortgage Loans, or scheduled distributions on the MBS and, if the related Prospectus Supplement so specifies, scheduled distributions on the Underlying Certificates, in each case backing a Series will be sufficient to make timely distributions of principal and interest on the Certificates of such Series and to retire each such Class of Certificates not later than its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates. Because the rate of distribution of principal of each Class of Certificates will depend on the rate of payment (including prepayments) of the Mortgage Loans, MBS or Underlying Certificates backing the Certificates, the actual final distribution with respect to any Class of Certificates that is directly backed by Mortgage Loans or MBS, or, if so specified in the related Prospectus Supplement, that is directly backed by Underlying Certificates, could occur significantly earlier than its Final Distribution Date. **In addition, there are certain other risks relative to the Certificates of a Series, as set forth herein under "Summary of Prospectus" (page 3); "Yield Considerations—Reinvestment Risk" (page 14); and "Maturity and Prepayment Considerations and Risks" (page 15), and in the related Prospectus Supplement.**

One or more elections will be made to treat the Series Trust as one or more "real estate mortgage investment conduits" ("REMICs" and each referred to herein as a "Multifamily REMIC Trust") for federal income tax purposes. The Certificates of each Class and any Subordinate Classes will be designated as "regular interests" in a Multifamily REMIC Trust, except that a separate Class of Certificates will be designated as the "residual interest" with respect to each Multifamily REMIC Trust.

The date of this Prospectus is November 1, 1995.

Retain this Prospectus for future reference. This Prospectus may not be used to consummate sales of Certificates unless accompanied by a Prospectus Supplement.

No salesman, dealer, bank or other person has been authorized to give any information or to make any representation other than those contained in this Prospectus, any Prospectus Supplement or, in the case of a MBS Series Trust, the MBS Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by Fannie Mae. This Prospectus, any Prospectus Supplement and, in the case of a MBS Series Trust, the MBS Prospectus, do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Certificates offered hereby and by the related Prospectus Supplement nor an offer of the Certificates to any person in any state or other jurisdiction in which such offer would be unlawful.

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PROSPECTUS SUPPLEMENT

The Prospectus Supplement relating to any Series of Certificates to be offered hereunder will, among other things, set forth with respect to such Series of Certificates the following (to the extent applicable): (i) the aggregate principal amount, the interest rate or method of determining the interest rate of each Class of such Series and whether any such Class constitutes an Accrual Class; (ii) certain characteristics of (A) the Mortgage Loans backing the Certificates of such Series, or (B) the MBS or the Underlying Certificates backing the Certificates of such Series, including the pass-through rates of such MBS or Underlying Certificates; (iii) the designation of each Class of the Certificates as either a “regular interest” or “residual interest”; (iv) the Final Distribution Date of each Class of such Series; (v) the method used to calculate the aggregate amount of principal required to be applied to the Certificates of such Series on each Distribution Date; (vi) the principal balance, expressed as a percentage, of each Class of such Series that would be outstanding on specified Distribution Dates if the Mortgage Loans backing the Certificates, or the MBS or the Underlying Certificates backing the Certificates, of such Series were prepaid at various assumed rates; and (vii) the Distribution Dates for such Series.

SUMMARY OF PROSPECTUS

The following summary of certain pertinent information is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and the information contained in the Prospectus Supplement to be prepared and delivered in connection with the offering of each Series of Certificates and, in the case of a Series of Certificates backed by MBS, the general information in the related MBS Prospectus.

Title of Security Guaranteed Multifamily REMIC Pass-Through Certificates (the “Certificates”).

Issuer and Guarantor Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States.

The Series Trust Assets The Certificates of each Series will be backed by one of the following: (1) (a) one or more pools (each, a “Mortgage Pool”) of mortgage loans (or participation interests therein) (“Mortgage Loans”) secured by first or (if the related Prospectus Supplement so provides) second liens on fee or leasehold interests in multifamily projects (“Mortgaged Properties”) consisting of five or more dwelling units having the characteristics described under “The Series Trust—The Mortgage Pools” and “Purchase Program—Mortgage Loan Eligibility” and, as to the particular Series of Certificates, in the related Prospectus Supplement, and (b) the Trust Account (as hereinafter defined) and all cash and investments held therein (collectively, as to any Series of Certificates, the “Mortgage Loan Series Trust”); (2) (a) Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Multifamily Mortgage Loans) representing all or part of the beneficial ownership interest in a Mortgage Pool or Mortgage Pools (“MBS”) and having the characteristics described in the related MBS Prospectus under “Description of Certificates” and, as to a particular Series of Certificates, in the related Prospectus Supplement, and (b) the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the “MBS Series Trust”); or (3) (a) certificates, which will be issued by an issuer that is not affiliated with Fannie Mae and will evidence all or a part of the direct or indirect beneficial ownership interest in Mortgage Loans that will not have been owned by Fannie Mae (“Underlying Certificates”) and will have the characteristics described in the related Prospectus Supplement and (b) the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the “Underlying Series Trust”), in each case subject to the limits and order of distribution described herein and in the related Prospectus Supplement.

The Certificates The Certificates of each Series will be issued and guaranteed and each Series Trust will be maintained pursuant to the terms of a trust agreement and, if applicable, in the case of a Series directly backed by Mortgage Loans or MBS, an issue supplement for such Series, each executed by Fannie Mae in its corporate capacity and in its capacity as Trustee (in the case of a Series directly backed by Mortgage Loans or MBS, such trust agreement and any issue supplement collectively, the “Trust Agreement”; and, in the case of a Series directly backed by Underlying Certificates, such trust agreement individually, the “Trust Agreement”). The Certificates and any Subordinate Classes will represent the entire direct or indirect beneficial ownership interest in (1) a Mortgage Loan Series Trust or (2) an Underlying Series Trust and the Certificates will represent the entire direct or indirect beneficial ownership interest in an MBS Series Trust.

Unless otherwise specified in the related Prospectus Supplement, the Certificates representing “regular interests” in a Multifamily REMIC Trust and offered hereby and by the related Prospectus Supplement will

be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof, will be available in book-entry form only and will not be convertible to definitive form.

**Interest Distributions on
Certificates**

Each interest-bearing Class of Certificates will bear interest at the rate per annum set forth in (or determined in the manner set forth in) the related Prospectus Supplement. Unless otherwise specified in the related Prospectus Supplement, interest on all interest bearing Classes of Certificates, other than an Accrual Class, will be distributed on the 25th day (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day) of each month specified in the related Prospectus Supplement (each, a “Distribution Date”), in amounts accrued for the periods (each, an “Interest Accrual Period”) specified in the related Prospectus Supplement. Interest accrued on an Accrual Class will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement. See “Description of the Certificates—Distributions of Interest.”

**Principal Distributions on
Certificates**

Unless the related Prospectus Supplement provides otherwise, principal distributions on each Series of Certificates will be made on each Distribution Date in an aggregate amount equal to the sum of (i) the amount of interest, if any, accrued on the Accrual Classes of such Series during the preceding Interest Accrual Period but not then payable; and (ii) an amount equal to (A) all payments of principal on the Mortgage Loans backing such Series for the related Due Period, (B) all distributions of principal of the MBS for the related Deposit Period or (C) all distributions of principal of the Underlying Certificates for the related Due Period, as applicable, backing such Series. Unless the related Prospectus Supplement provides otherwise, the “Due Period” with respect to a Distribution Date is the period beginning on the second day of the month prior to the month containing such Distribution Date and ending on the first day of such month; the “Deposit Period” with respect to a Distribution Date is a period subsequent to the previous Distribution Date (or subsequent to the Certificate Issue Date in the case of the initial Distribution Date), such period to be specified in the related Prospectus Supplement; and the “Certificate Issue Date” with respect to a Series of Certificates is the first day of the month in which such Series is issued. The Prospectus Supplement for each Series of Certificates will specify the manner in which the amount of each such aggregate principal distribution will be determined and the allocation thereof among the respective Classes of such Series. Unless the related Prospectus Supplement provides otherwise, all distributions of principal of the Certificates of a particular Class will be applied pro rata among all Certificates of such Class. See “Description of the Certificates—Distributions of Principal.”

Final Distribution Date

The “Final Distribution Date” for Certificates of a particular Class is the date by which the principal balance thereof is required to be fully paid and will be specified in the related Prospectus Supplement. The Final Distribution Dates of the respective Classes of Certificates of a Series will be determined so that (i) scheduled payments of principal of and interest on the underlying Mortgage Loans, (ii) scheduled distributions on the underlying MBS or (iii) if the related Prospectus Supplement

ment so specifies, scheduled distributions on the Underlying Certificates, will be sufficient to retire each such Class on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates. The Final Distribution Date may be later than the latest maturing related Mortgage Loan in order to reflect the possibility that the maturity of a Mortgage Loan may be extended or to reflect an additional period for foreclosure or liquidation in respect of a Mortgage Loan, in each case as described in the related Prospectus Supplement. Because the rate of distribution of principal of each Class of Certificates will depend upon the rate of payment (including prepayments) of the Mortgage Loans, the MBS or the Underlying Certificates backing the Certificates, the actual final distribution with respect to any Class of Certificates that is directly backed by Mortgage Loans or the MBS or, if so specified in the related Prospectus Supplement, that is directly backed by Underlying Certificates, could occur significantly earlier than its Final Distribution Date. The rate of prepayments on the Mortgage Loans backing any Series of Certificates will depend on the characteristics of such Mortgage Loans, as well as on the prevailing level of interest rates and other economic factors, and the rate of prepayments on MBS or Underlying Certificates backing any Series of Certificates will depend on the characteristics of the MBS or Underlying Certificates and of the underlying Mortgage Loans, as well as on the prevailing level of interest rates and other economic factors, and no assurance can be given as to the actual prepayment experience of the Mortgage Loans, the MBS or Underlying Certificates in any Series Trust. See “Maturity and Prepayment Considerations and Risks.”

Fannie Mae Guaranty Pursuant to the guaranty of the Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders (as hereinafter defined) of Certificates, whether backed by Mortgage Loans or MBS, required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. In addition, in the case of an MBS Series Trust, pursuant to the guaranty of the MBS, Fannie Mae will guaranty timely payment of principal of and interest on the underlying Mortgage Loans. If Fannie Mae were unable to perform these guaranty obligations, distributions to Certificateholders (as hereinafter defined) would consist solely of payments and other recoveries on the Series Trust Assets and, accordingly, delinquencies and defaults on the Mortgage Loans or MBS, as applicable, would affect distributions to Certificateholders. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. The extent to which Fannie Mae’s guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement. Fannie Mae will not guarantee the Underlying Certificates, but Fannie Mae will guarantee the interest on and principal of Mortgage Loans that back Underlying Certificates to the extent of the indirect beneficial ownership interest of the Certificates of a Series in such Mortgage Loans, unless the related Prospectus Supplement specifies otherwise. Fannie Mae will not guarantee the collection from any mortgagor or the Lender (as hereinafter defined) or other servicer of any yield maintenance charge (“Yield Maintenance Charge”) or any other premium, penalty or other fee (collectively, “Prepayment Premiums”) payable in connection with a principal prepayment on a Mortgage Loan, and in the event a Trust Agreement entitles Certificateholders to receive a distribution of such Prepayment Premium, such Certificateholders will receive such Yield Maintenance Charge or Prepayment

Premium only to the extent it is actually collected from the mortgagor and paid by the Lender or other servicer to the Trustee. See “Description of the Certificates—Fannie Mae’s Guaranty.”

Servicing Fannie Mae may service the Mortgage Loans that are included in a Mortgage Loan Series Trust or may contract with mortgage lenders or other servicers to perform all or part of such servicing. Fannie Mae may service the Mortgage Loans that back MBS and will, in most cases, contract with mortgage lenders or other servicers to perform certain servicing functions. See “Description of the Certificates—Servicing Through Lenders—*Mortgage Loan Series Trust*.”

The Mortgage Loans that back the Underlying Certificates included in an Underlying Series Trust will be serviced by the entity designated as the servicer (the “Underlying Servicer”) in the relevant pooling and servicing agreement or similar agreement (the “Underlying Pooling and Servicing Agreement”) and described in the related Prospectus Supplement.

The Mortgage Pools Each fixed-rate Mortgage Pool (a “Fixed-Rate Mortgage Pool”) will consist entirely of Mortgage Loans, secured by Mortgaged Property, that will bear fixed rates of interest (“Fixed-Rate Mortgage Loans”), some of which may have principal amortization periods that are longer than their terms to maturity and, therefore, balloon payments will be due at their respective maturity dates (“Balloon Mortgage Loans”), or may have other unique features, and each adjustable rate Mortgage Pool (an “ARM Mortgage Pool”) will consist entirely of Mortgage Loans, secured by Mortgaged Property, that will bear adjustable rates of interest (“ARM Mortgage Loans”), some of which may be Balloon Mortgage Loans or have deferred interest or other unique features. The Mortgage Pool or Pools that directly back MBS may comprise variable rate or other types of Mortgage Loans, but each Mortgage Pool will consist of only one type of Mortgage Loans (e.g., Fixed-Rate Mortgage Loans or ARM Mortgage Loans). The Mortgage Pool or Pools that directly back Certificates or that back Underlying Certificates may consist of one or more types of Mortgage Loans.

Each Mortgage Loan that directly backs Certificates or that backs MBS, and, if the related Prospectus Supplement so specifies, that directly backs the Underlying Certificates, will meet the applicable standards set forth herein under “Purchase Program.” In addition, unless the related Prospectus Supplement provides otherwise, all of such Mortgage Loans will be secured by a first or (if the related Prospectus Supplement so provides) second lien on the mortgagor’s fee or leasehold interest in a Mortgaged Property.

Mortgage Pool information as to the type of Mortgage Loans (including whether such Mortgage Loans are Conventional Mortgage Loans (as hereinafter defined) or FHA Mortgage Loans (as hereinafter defined)), the aggregate principal balance of the Mortgage Loans as of the Certificate Issue Date, the Pass-Through Rate (as hereinafter defined) for MBS evidencing beneficial ownership interests in Fixed-Rate Mortgage Pools, the Pool Accrual Rate (as hereinafter defined) for MBS evidencing beneficial ownership interests in ARM Mortgage Pools and the latest maturity date of any Mortgage Loan will be contained in the related Prospectus Supplement. For an ARM Mortgage Pool or a Mortgage Pool containing Mortgage Loans with other types of varying interest rates, the related Prospectus Supplement will also contain information respecting the index or other basis upon which adjustments are based, the frequency of interest rate and payment adjustments and any maxi-

num or minimum limitations thereon, and whether the underlying Mortgage Loans contain provisions for the deferral of interest. See “The Series Trust—The Mortgage Pools.”

Certificate Form Unless otherwise specified in the related Prospectus Supplement, the Certificates, other than a Residual Certificate (as defined herein under “Description of the Certificates—Additional Characteristics of Residual Certificates”), will be issued, maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. The Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of the Federal Reserve Banks as the entities for whose accounts Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Denominations, Certificate Form.”

Trust Account All payments on the MBS and, unless otherwise specified in the related Prospectus Supplement, the Mortgage Loans and the Underlying Certificates, underlying a Series of Certificates of a Series Trust will be remitted directly to one or more accounts (collectively, the “Trust Account”) to be maintained by Fannie Mae, as Trustee, and will be available for application to the distribution of principal of and interest on such Series of Certificates on the applicable Distribution Date. See “Description of the Certificates—Payments on Series Trust Assets; Deposits in the Trust Account.”

Multifamily REMIC Trust

Factors As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class of Certificates, the factor (carried to eight decimal places) which, when multiplied by the aggregate original principal balance of each Certificate of such Class, will equal the amount of principal remaining to be distributed with respect to such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date (and the accretion of principal of any Accrual Classes).

Termination Each Series Trust will terminate upon the distribution to Certificateholders of all required installments of the principal of and interest on the related Series of Certificates and, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, the retirement of any Subordinate Classes. The Prospectus Supplement also will describe the terms and conditions of the right of Fannie Mae or any other person, if any, to terminate the Series Trust by purchasing the Mortgage Loans, whether directly backing a Series of Certificates or MBS, included in a Mortgage Loan Series Trust or MBS Series Trust, respectively, or the Underlying Certificates included in an Underlying Series Trust. Fannie Mae has agreed not to effect (i) directly an early termination of any Mortgage Loan Series Trust through the exercise of its right to repurchase the Mortgage Loans included in such a Trust, unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent, unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof, (ii) directly an early termination of any MBS Series Trust through the exercise of its right to repurchase the MBS in such MBS Series Trust, or indirectly an early termination of any MBS Series Trust through the

exercise of its right, as described in “Description of Certificates—Termination” in the MBS Prospectus, to repurchase the Mortgage Loans underlying any MBS in the MBS Series Trust, in each case unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent, unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof. In addition, the related Prospectus Supplement will contain a description of the rights, if any, of the Underlying Servicer or any other person under the relevant Underlying Pooling and Servicing Agreement to purchase the Mortgage Loans backing the Underlying Certificates. See “The Trust Agreement—Termination.”

Tax Status of the

Certificates

One or more elections will be made to treat the Series Trust as one or more “real estate mortgage investment conduits” (“REMICs”) for federal income tax purposes. Each of these REMICs will be referred to herein as a “Multifamily REMIC Trust.” The Certificates of each Class and any Subordinate Classes will be designated as the “regular interests” in a Multifamily REMIC Trust, except that a separate Class of Certificates will be designated as the “residual interest” with respect to each Multifamily REMIC Trust. See “Certain Federal Income Tax Consequences—REMIC Election.”

As a consequence of the qualification of the Series Trust as one or more REMICs, the Certificates generally will be treated as “qualifying real property loans” for mutual savings banks and domestic building and loan associations, “regular or residual interests in a REMIC,” as the case may be, for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for any Class of Certificates designated as a residual interest, as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—Special Tax Attributes.”

Special tax considerations apply to Residual Certificates. The taxation of a Residual Certificate can produce a significantly less favorable after-tax return than if (i) the Residual Certificate were taxable as a debt instrument or (ii) no portion of the taxable income on the Residual Certificate were treated as “excess inclusions.” In certain periods, taxable income and the resulting tax liability on a Residual Certificate may exceed payments received on such Certificate. In addition, a substantial tax may be imposed on certain transferors of Residual Certificates and certain beneficial owners of Residual Certificates that are “pass-through entities.” See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners Residual Certificates.” Investors should not purchase Residual Certificates before consulting their tax advisors.

Legality of Investment

Under the Secondary Mortgage Market Enhancement Act of 1984, the Certificates, like Fannie Mae’s Guaranteed Mortgage Pass-Through Certificates, will be considered to be “securities issued or guaranteed by . . . the Federal National Mortgage Association.” Accordingly, subject to applicable limitations governing investment practices, investors whose investments are governed by state law may purchase, hold or invest in the Certificates to the same extent that they are authorized to invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. In addition, many entities whose investments are governed by federal law (including national banks, federal savings and loan associations, federal

savings banks and federal credit unions) are specifically authorized, except in certain circumstances, to purchase, hold and invest in Fannie Mae's Guaranteed Mortgage Pass-Through Certificates. Subject to general considerations governing investment practices, the Certificates will be treated identically for such purposes for such entities.

Legal Investment

Considerations Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates of a Series. Investors should consult their own legal advisors in determining whether and to what extent the Certificates of a Series constitute legal investments or are subject to restrictions on investment. See "Legal Investment Considerations."

Marginability; Repurchase

Agreements The Certificates are "exempted securities" for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange and transactions in the Certificates, including repurchase agreements, are treated under such rules in the same manner as transactions in Fannie Mae's Guaranteed Mortgage Pass-Through Certificates. Such rules do not, however, specify the collateral value which participants in particular transactions will accord the Certificates of any Class.

Securities Law

Exemption The Certificates are exempt from the registration requirements of the Securities Act of 1933, as amended, and are "exempted securities" within the meaning of the Securities Exchange Act of 1934, as amended.

THE SERIES TRUST

The ownership of the Series Trust Assets of each Series Trust may be evidenced by two or more Classes of Certificates and, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, one or more Subordinate Classes, as will be specified in the Prospectus Supplement for each Series Trust. Each Certificate will evidence a beneficial ownership interest in one of the following: (i) one or more pools (each, a “Mortgage Pool”) of mortgage loans (or participation interests therein) (“Mortgage Loans”) secured by first or (if the related Prospectus Supplement so provides) second liens on fee or leasehold interests in multifamily projects (“Mortgaged Properties”) consisting of five or more dwelling units and all proceeds thereof and the Trust Account and all cash and investments held therein; (ii) one or more Fannie Mae Guaranteed Pass-Through Certificates (Multifamily Mortgage Loans) (“MBS”), each representing all or part of the beneficial ownership interest in a Mortgage Pool or Mortgage Pools, and all proceeds thereof and the Trust Account and all cash and investments held therein; or (iii) certificates, each series of which will be issued by an issuer not affiliated with Fannie Mae and will evidence all or a part of the direct or indirect beneficial ownership interest in Mortgage Loans that have not been owned by Fannie Mae (“Underlying Certificates”), and all proceeds thereof and the Trust Account and all cash and investments held therein.

Each Certificate, whether backed by Mortgage Loans or MBS, will have the benefit of a guaranty from Fannie Mae to distribute on a timely basis the required installments of principal of and interest on such Certificate as described in the related Prospectus Supplement. The extent to which Fannie Mae’s guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement. See “Description of the Certificates—Fannie Mae’s Guaranty.”

The Mortgage Pools

The Mortgage Pools, whether constituting assets of a Series Trust or underlying the MBS that constitute assets of a Series Trust, will contain Mortgage Loans that will bear (i) fixed rates of interest (a “Fixed-Rate Mortgage Pool” and “Fixed-Rate Mortgage Loans,” respectively) and may have principal amortization periods that are longer than their terms to maturity, and, therefore, balloon payments will be due at their respective maturity dates (“Balloon Mortgage Loans”), or may have other unique features, (ii) adjustable rates of interest (an “ARM Mortgage Pool” and “ARM Mortgage Loans,” respectively) and may be Balloon Mortgage Loans or have deferred interest or other unique features or (iii) variable rate or other types of Mortgage Loans, as will be set forth in the related Prospectus Supplement. The Mortgage Loans may be either conventional Mortgage Loans (*i.e.*, not insured or guaranteed by any United States government agency) (“Conventional Mortgage Loans”) or Mortgage Loans that are insured by the Federal Housing Administration (“FHA”) under the National Housing Act, as amended, and the United States Housing Act of 1937, as amended (“FHA Mortgage Loans”). The Mortgage Loans purchased by Fannie Mae for Mortgage Pools that will back a Series of Certificates, or that will underlie MBS that will back a Series of Certificates, will be sold to Fannie Mae by eligible institutions that meet certain requirements set forth under “Purchase Program” and are referred to as “Lenders.”

The general characteristics of the Mortgage Loans that will directly back a Series of Certificates are described herein under “Purchase Program—Mortgage Loan Eligibility,” and certain detailed information for such Mortgage Loans will be contained in the related Prospectus Supplement.

Fannie Mae will acquire the Mortgage Loans that it has purchased expressly for inclusion in Mortgage Pools directly backing Certificates under various agreements, including a Sale and Servicing Agreement or similar agreement (each, a “Sale and Servicing Agreement”) or directly backing MBS under a Special Pool Purchase Contract. By entering into such contracts, Fannie Mae will obligate itself to issue Certificates (or MBS) to, or to the order of, the Lenders named in the contracts, upon delivery to Fannie Mae of the required Mortgage Loans conforming to Fannie Mae’s standards. Fannie Mae will not insure or guarantee the performance by any Lender of its obligation to deliver Mortgage Loans and, correspondingly, does not insure or guarantee the performance by any person of any obligation to deliver Certificates or MBS.

Fannie Mae’s obligations with respect to the Mortgage Loans that directly back (i) a Series of Certificates will be limited to its responsibilities with respect to servicing, if any, as set forth in the Trust Agreement and any relevant Sale and Servicing Agreement or (ii) MBS will be limited to its responsibilities with respect to servicing, as set forth in the MBS Trust Indenture and, in either case, in the event of any delinquency in payment or loss on any such Mortgage Loan, its obligation to make supplemental payments in amounts described herein under “Description of the Certificates—Fannie Mae’s Guaranty.”

The MBS

The general characteristics of (i) the MBS that will back the Certificates of a MBS Series Trust and (ii) the Mortgage Loans underlying the MBS are described in the MBS Prospectus and, in the case of such Mortgage Loans, herein under “Purchase Program—Mortgage Loan Eligibility.” Certain detailed information for such MBS (and for such Mortgage Loans) will be contained in the related Prospectus Supplement.

Underlying Certificates

Unless the related Prospectus Supplement otherwise specifies, the general characteristics of the Mortgage Loans that will back Underlying Certificates will generally conform to the description herein under “Purchase Program—Mortgage Loan Eligibility.” Certain detailed information with respect to the Underlying Certificates that will back the Certificates of an Underlying Series Trust, the Mortgage Loans that will underlie such Underlying Certificates, and the related pooling and servicing arrangements, will be contained in the related Prospectus Supplement. The Prospectus Supplement will identify the entity or entities forming the related Mortgage Pool and the issuer of the Underlying Certificates, and will include information with respect to the aggregate outstanding balance and interest rate borne by each of the Underlying Certificates and other information with respect to such Certificates.

YIELD CONSIDERATIONS

General

Unless otherwise set forth herein, the following description of Yield Considerations relates to Certificates directly backed by Mortgage Loans or MBS. For certain additional information with respect to yield considerations relating to Certificates directly backed by Mortgage Loans, see “Yield Considerations” in the MBS Prospectus. For a more detailed description of the yield considerations relating to Certificates directly backed by Mortgage Loans, MBS or Underlying Certificates see “Description of the Certificates—Yield Considerations” in the related Prospectus Supplement.

The effective yield to Holders of the Certificates will depend upon, among other factors, the price at which their Certificates are purchased and the amount and rate at which distributions of principal and interest are made. The rate of distributions in respect of the principal balance of the Certificates will be related to the rate of payments and prepayments of principal and to the rate of delinquencies and defaults on the Mortgage Loans. For this purpose, the term “prepayment” includes prepayments and liquidations due to, among other things, defaults or other dispositions of the Mortgage Loans or the Mortgaged Properties, including application of insurance proceeds or condemnation awards, or the purchase of the Mortgage Loans under the circumstances described under “The Trust Agreement—Termination” herein or in the related Prospectus Supplement.

Generally, prepayments of the Mortgage Loans will increase the yield to maturity on Certificates purchased at a discount and will decrease the yield to maturity on Certificates purchased at a premium. The effect on an investor’s yield of principal prepayments of the Mortgage Loans occurring at a rate that is faster (or slower) than the rate anticipated by the investor in the period immediately following the issuance of the Certificates will not be entirely offset by a subsequent like reduction (or increase) in the rate of principal payments.

Effect of Delay

The effective yield to Certificateholders in all Mortgage Pools will be reduced slightly below the yield otherwise produced by the applicable Pass-Through Rate, Pool Accrual Rate or Weighted Average Pass-Through Rate because the distribution of interest that accrues from the first (or such later day specified in the Prospectus Supplement) day of each month will not be made until the 25th day of the month following the month of accrual.

Fixed-Rate Mortgage Pools

Each Fixed-Rate Mortgage Pool will consist of Mortgage Loans that provide for monthly payments and bear interest at annual rates (“Mortgage Interest Rates”) that are fixed. Such a Fixed-Rate Mortgage Pool may include Mortgage Loans that bear different Mortgage Interest Rates. The Pass-Through Rate of interest payable to Certificateholders of each Mortgage Loan Series Trust will be equal to the lowest Mortgage Interest Rate borne by any Mortgage Loan in the related Mortgage Pool, less a specified minimum annual percentage representing the servicing fee and the Fannie Mae fees, including its guaranty fee. Because the Pass-Through Rate payable with

respect to each Mortgage Loan in a Mortgage Pool will be the same, any disproportionate principal prepayments among Mortgage Loans bearing different Mortgage Interest Rates will not affect the return to Certificateholders.

Unless the related Prospectus Supplement otherwise specifies, when a Mortgage Loan is prepaid or otherwise liquidated, the proceeds of such prepayment or liquidation will be passed through to Certificateholders in the month following the month of such prepayment or other liquidation, except as provided in “Description of the Certificates—Payments on Series Trust Assets; Deposits in the Trust Account.” Because Fannie Mae agrees to distribute on each Distribution Date to each Certificateholder an amount as to interest representing one month’s interest on the principal balance of the Certificates of such Holder, any prepayment or other liquidation of a Mortgage Loan and the timing of the distribution of the proceeds thereof will have no effect, for the month in which such prepayment is made, on the interest return to Certificateholders.

Assuming performance by Fannie Mae of its obligations under its guaranty, the net effect of each distribution respecting interest will be the pass-through to each Certificateholder of an amount that is equal to one month’s interest on the principal balance of such Holder’s Certificates.

ARM Mortgage Pools

General Characteristics

An ARM Mortgage Pool will contain ARM Mortgage Loans that bear interest at rates that will vary in response to a single specified index and will adjust periodically at certain intervals specified in the related Prospectus Supplement. The actual Mortgage Interest Rate at any time borne by an ARM Mortgage Loan after any initial fixed-rate period of such loan will, subject to any applicable adjustment caps, be equal to the sum of a specified percentage, or “Mortgage Margin,” and the index value then applicable thereto, which sum then may be rounded (as provided in the related Mortgage Note (as hereinafter defined)) to the nearest, next lowest or next highest one-eighth or one-quarter of 1% or as otherwise specified in the Prospectus Supplement. ARM Mortgage Loans may or may not contain provisions limiting the amount by which rates may be adjusted upward or downward and may or may not limit the amount by which monthly payments may be increased or decreased to accommodate upward or downward adjustments in the Mortgage Interest Rate. Certain ARM Mortgage Loans may provide for periodic adjustments of scheduled payments in order to fully amortize the ARM Mortgage Loan by its stated maturity while other ARM Mortgage Loans may permit substantial balloon payments at maturity or permit that maturity to be extended or shortened in accordance with the portion of each payment that is applied to interest in accordance with the periodic interest rate adjustments. Unless a Prospectus Supplement otherwise specifies, each ARM Mortgage Loan in the related ARM Mortgage Pool will provide for payment adjustments in the month following any interest rate change, each such adjusted payment being in the amount necessary to pay interest at the Mortgage Interest Rate in effect during the month immediately prior to the month in which the first payment in the new amount is due and to fully amortize the outstanding principal balance of the ARM Mortgage Loan on a level debt service basis over the remainder of its term.

The Mortgage Interest Rate for each ARM Mortgage Loan with provisions limiting the amount by which rates may be adjusted, when adjusted on each interest rate change date, typically may not be more than a specified percentage amount greater or less than the initial Mortgage Interest Rate, in the case of the first change date, and, in the case of any subsequent change date, the Mortgage Interest Rate that was in effect immediately preceding such change date. Any such periodic adjustment caps will be specified in the related Prospectus Supplement. In addition, the Mortgage Interest Rate for an ARM Mortgage Loan is generally also subject to lifetime maximum and minimum caps, as specified in the related Mortgage Note or as otherwise established by the Lender. Whenever an ARM Mortgage Loan is limited by a maximum interest rate cap, the Mortgage Interest Rate will be less than the sum of the applicable index value and the Mortgage Margin; whenever an ARM Mortgage Loan is limited by a minimum interest rate cap, the Mortgage Interest Rate will be greater than the sum of the applicable index value and the Mortgage Margin.

If an ARM Mortgage Loan provides for limitations on the amount by which monthly payments may be increased or if changes to the Mortgage Interest Rate of the ARM Mortgage Loan are made more frequently than payment changes, it is possible that interest due on scheduled payment dates at an increased rate of interest will not be covered by the amount of the scheduled payment. In that case, the uncollected portion of interest will be deferred and added to the principal balance of the ARM Mortgage Loan.

Fannie Mae’s guaranty of Certificates and MBS evidencing direct beneficial ownership interests in ARM Mortgage Pools will cover the principal of each underlying ARM Mortgage Loan, in the case of Certificates, to the extent distributable to Holders thereof, including any portion thereof representing deferred interest. Its guaranty

of interest will cover all interest due and payable by the mortgagor (net of the servicing fee and the Fannie Mae fees, including its guaranty fee). Fannie Mae also will add to the amount of interest accompanying the prepayment of an underlying ARM Mortgage Loan any amount by which such interest is less than one month's interest at the rate that accrues to Holders of Certificates and holders of MBS on the ARM Mortgage Loan on the prepaid principal balance thereof. As a consequence, the timing of the prepayment of an ARM Mortgage Loan will have no effect, for the month in which such prepayment is made, on the interest return to Holders of Certificates and holders of MBS.

Pool Accrual Rate

Because the interest rates borne by ARM Mortgage Loans in an ARM Mortgage Pool will, following an initial fixed-rate period, adjust from time to time, and because a portion of the interest accrued thereon may be deferred and payable at a future time, Certificates evidencing interests in such a Pool will not provide for the distribution of interest at a fixed Pass-Through Rate. Rather, interest on each ARM Mortgage Loan in an ARM Mortgage Pool will accrue to Certificateholders during any period at a monthly rate (the "Accrual Rate") that is always equal to the corresponding Mortgage Interest Rate at which interest accrued on such ARM Mortgage Loan during such period net of the servicing fee and the Fannie Mae fees, including its guaranty fee. This percentage servicing and guaranty fee may either (i) vary among the ARM Mortgage Loans in an ARM Mortgage Pool for which the Mortgage Margins vary in order to produce a uniform margin (the "Margin") specified in the related Prospectus Supplement that will be used to determine the rate over the applicable index value at which interest accrues to Certificateholders (a "Uniform Margin Pool") or (ii) be uniform as to all ARM Mortgage Loans in an ARM Mortgage Pool (a "Uniform Fee Pool"), resulting, if the Mortgage Margins vary, in varying Margins among such ARM Mortgage Loans. For example, if the Margin is fixed at 1.75% among the ARM Mortgage Loans in a Uniform Margin Pool, an ARM Mortgage Loan in that Pool that has a Mortgage Margin of 275 basis points would be assigned a servicing and guaranty fee of 100 basis points and another ARM Mortgage Loan in that Pool having a Mortgage Margin of 250 basis points would be assigned a servicing and guaranty fee of 75 basis points. Conversely, if the servicing and guaranty fee is fixed at 1.00% for all ARM Mortgage Loans in a Uniform Fee Pool, an ARM Mortgage Loan in that ARM Mortgage Pool that has a Mortgage Margin of 275 basis points would be assigned a Margin of 1.75%, and another ARM Mortgage Loan in that ARM Pool having a Mortgage Margin of 250 basis points would have a Margin of 1.50%. To the extent no interest rate cap is applicable and the Mortgage Interest Rate of an ARM Mortgage Loan is freely floating, the Accrual Rate of that ARM Mortgage Loan will always be equal, before giving effect to any rounding, to the sum of the applicable index value and the Margin.

At any time, interest for any month will accrue to Certificateholders at a rate that equals the weighted average of the individual Accrual Rates of the ARM Mortgage Loans (the "Pool Accrual Rate"). If the Mortgage Interest Rates for all ARM Mortgage Loans in an ARM Mortgage Pool are freely floating and not affected by an interest rate cap, the Pool Accrual Rate will at any such time be equal, before giving effect to any rounding, to the sum of the then applicable index value (or the weighted average of the applicable index values if the ARM Mortgage Loans in such Pool have different rate change dates as described under *Maturity, Interest Rate Change Dates* below) and, in the case of a Uniform Margin Pool, the uniform Margin, or, in the case of a Uniform Fee Pool, the weighted average of the individual Margins. The Pool Accrual Rate for an ARM Mortgage Pool cannot, however, be determined solely on the basis of applicable index values and Margins if the Mortgage Interest Rate of any ARM Mortgage Loan in that ARM Mortgage Pool is in its initial fixed-rate period or is restricted by a periodic or lifetime adjustment cap. In any case, the Pool Accrual Rate for an ARM Mortgage Pool will always be equal to the weighted average of the Mortgage Interest Rates of the ARM Mortgage Loans in the ARM Mortgage Pool net of, in the case of a Uniform Fee Pool, the uniform fixed servicing and guaranty fee or, in the case of a Uniform Margin Pool, net of the weighted average of the individual fixed servicing and guaranty fees.

Information with respect to the Mortgage Margins for the ARM Mortgage Loans in the ARM Mortgage Pools will be set forth in the related Prospectus Supplement. The related Prospectus Supplement for a Uniform Margin Pool will also set forth the fixed Margin for that Mortgage Pool. For Uniform Fee Pools, the initial weighted average Margin at the Certificate Issue Date will be specified in the related Prospectus Supplement. Because differences in the amortization or prepayment of ARM Mortgage Loans with differing Mortgage Margins will cause any such initial weighted average Margin to change, Fannie Mae will publish each month for each Uniform Fee Pool an updated weighted average Margin in the Fannie Mae *Monthly ARMs Report* supplement to the Fannie Mae *Monthly Factor Report* published by The Bond Buyer (the "*Monthly ARMs Report*") or in such other publication as determined by Fannie Mae that will be applicable to the distribution to be made in the month of the publication of such *Monthly ARMs Report* (which distribution, unless otherwise specified in the related Prospectus Supplement, reflects the Accrual Rates of the ARM Mortgage Loans in the month preceding the

month of publication), subject to any deferral of interest. Although changes in the weighted average of the Mortgage Margins of ARM Mortgage Loans in a Uniform Margin Pool will affect the weighted average of the fixed servicing and guaranty fees applicable to the ARM Mortgage Loans included therein (with a corresponding effect on the Pool Accrual Rate during any initial fixed-rate period or whenever Mortgage Interest Rate caps may be applicable), no such updated information will be published for Mortgage Pools of this type.

Information as to the appropriate maximum and minimum (if applicable) Pool Accrual Rates of Mortgage Pools (*i.e.*, the weighted averages of the maximum and minimum Accrual Rates of the ARM Mortgage Loans in such Pools) will be included in the related Prospectus Supplement. These rates will be computed using the maximum and minimum Accrual Rates of the ARM Mortgage Loans in Mortgage Pools weighted on the basis of their principal balances as of the Certificate Issue Date. Differences in the amortization, prepayment, or maturity dates of ARM Mortgage Loans with differing maximum and minimum Mortgage Interest Rates, and, in the case of Uniform Margin Pools, the fixed servicing fee and the fixed Fannie Mae fees, including its guaranty fee, are likely to cause the initial maximum and minimum Pool Accrual Rates for ARM Mortgage Pools to change over the life of such Mortgage Pools. In addition, if a related Prospectus Supplement discloses that any assumption of an ARM Mortgage Loan in the related ARM Mortgage Pool by a new mortgagor may result in a change in the maximum and/or minimum Mortgage Interest Rates applicable thereto, any such assumption may also affect the maximum and minimum Pool Accrual Rates.

Maturity, Interest Rate Change Dates

Information with respect to the weighted average remaining term to maturity of the ARM Mortgage Loans in the ARM Mortgage Pools will be set forth in the related Prospectus Supplement. The Prospectus Supplement also will specify whether or not the ARM Mortgage Loans in an ARM Mortgage Pool all have the same interest rate change dates on and after the Certificate Issue Date. If the interest rate change dates for ARM Mortgage Loans in an ARM Mortgage Pool are uniform, the Accrual Rates for all ARM Mortgage Loans in an ARM Mortgage Pool will, subsequent to the first interest rate change date on or after the Certificate Issue Date of the ARM Mortgage Pool, be based on Mortgage Interest Rates that have been calculated using the same index value. If the related Prospectus Supplement indicates that the ARM Mortgage Loans in an ARM Mortgage Pool have varying interest rate change dates, the Pool Accrual Rate for any month will be calculated based on Mortgage Interest Rates that, after the initial fixed-rate period of each of the ARM Mortgage Loans, have been determined based on varying index values. For instance, with respect to an ARM Mortgage Pool that contains ARM Mortgage Loans with both March 1 and August 1 annual interest rate change dates and a 45-day “look-back” period, interest will accrue to Certificateholders during the month of August with respect to the March 1 interest rate change date for ARM Mortgage Loans on the basis of the index value most recently available 45 days prior to March 1, and with respect to the August 1 interest rate change date for ARM Mortgage Loans on the basis of the index value most recently available 45 days prior to August 1. This results in the likelihood of a Pool Accrual Rate that, even in the case of a Uniform Margin Pool, represents a weighted average of the different Accrual Rates of the ARM Mortgage Loans included therein. The uniform or varying interest rate change dates of the ARM Mortgage Loans in an ARM Mortgage Pool will be specified in the related Prospectus Supplement. In addition, the Prospectus Supplement will specify a “Weighted Average Months to Roll” that represents the weighted average amount of time from the Certificate Issue Date of the Certificates backed by such ARM Mortgage Pool to the next interest rate change dates of all ARM Mortgage Loans in such Pool. The index for each ARM Mortgage Pool will be identified in the related Prospectus Supplement.

Reinvestment Risk

The Mortgage Loans underlying the Certificates may permit prepayment at any time or may have provisions that prevent prepayment for a number of years or during certain periods or require the payment of a Prepayment Premium or Yield Maintenance Charge, as shall be described in the related Prospectus Supplement. Accordingly, it is not possible to predict the rate at which distributions of principal of the Certificates of any Series will be received. In addition, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equaling or exceeding the yields on such Certificates. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yields on such Certificates. Prospective investors in the Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors.

MATURITY AND PREPAYMENT CONSIDERATIONS AND RISKS

Multifamily Lending Generally

Multifamily lending is generally viewed as exposing the lender to a greater risk of loss than one- to four-family residential lending. Multifamily lending typically involves larger loans to single borrowers or groups of related borrowers than does lending on one- to four-family residences. Further, the repayment of loans secured by income producing properties is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the borrower's ability to repay the loan may be impaired. Multifamily real estate can be affected significantly by the supply and demand in the market for the type of property securing the loan and, therefore, may be subject to adverse economic conditions. Market values may vary as a result of economic events or governmental regulations outside the control of the borrower or lender, such as rent control laws, which impact the future cash flow of the property.

Balloon Payment at Maturity and Extension of Maturity

The Mortgage Loans may have principal amortization periods that are longer than their terms to maturity, and, therefore, a balloon payment will be due at their respective maturity dates. The ability of a mortgagor to pay such amount will normally depend on its ability to obtain refinancing on the Mortgage Loan or sell the related Mortgaged Property, which will depend on a number of factors prevailing at the time refinancing or sale is required, including, without limitation, the strength of the residential real estate market, tax laws, the financial situation and the operating history of the underlying property, interest rates and general economic conditions.

The related Prospectus Supplement will summarize the extent, if any, to which (i) the Sale and Servicing Agreement for a Mortgage Loan Series Trust will permit the servicer and/or any special servicer thereunder and/or other person (including, if applicable, Fannie Mae) to extend the maturity of a defaulted Mortgage Loan or (ii) the pooling and servicing agreement or similar agreement for an Underlying Series Trust (the "Underlying Pooling and Servicing Agreement") will permit the Underlying Servicer or any other person (including, if applicable, Fannie Mae) to extend the maturity of a defaulted Mortgage Loan. Such an extension might cause the weighted average life of the Certificates to be longer than if such Loan had been paid pursuant to its original terms. In addition, as described under "Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*," certain of the Mortgage Loans directly backing Certificates or MBS may be assumable under certain circumstances. This characteristic may cause the weighted average life of the Certificates to be longer than otherwise expected.

Early Repayment of Mortgage Loans

Certain Mortgage Loans may permit voluntary principal prepayments at any time, although other Mortgage Loans may be subject to a Prepayment Premium or Yield Maintenance Charge, as more fully described in the related Prospectus Supplement. In addition, the condemnation of, or the occurrence of a casualty loss on, the Mortgaged Property securing any Mortgage Loan or the acceleration of payments due under a Mortgage Loan by reason of default may result in an unscheduled principal prepayment at any time.

Certain state laws limit the amounts that a lender may collect from a borrower as an additional charge in connection with the prepayment of a mortgage loan. Furthermore, the enforceability, under the laws of a number of states, of provisions providing for Prepayment Premiums or Yield Maintenance Charges upon an involuntary prepayment is unclear. No assurance can be given that, at the time a Prepayment Premium or Yield Maintenance Charge is required to be made on a Mortgage Loan in connection with an involuntary prepayment, the obligation to pay such premium will be enforceable under applicable state law.

To the extent applicable, the related Prospectus Supplement will describe whether Mortgage Loans may have provisions that prohibit or restrict prepayment for a number of years or during certain periods or provide for payments of interest only during a certain period followed by amortization of principal on the basis of a schedule extending beyond the maturity of the related Mortgage Loan. Prepayments of Mortgage Loans may be affected by these and other factors, including changes in interest rates and the relative tax benefits associated with ownership of Mortgaged Property.

Other Considerations

The rate of payments of principal of the Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to repurchase by a Lender or other responsible person or any guaranty of payment by, or option to repurchase of, Fannie Mae), affects directly (i) the distributions on Certificates of a Mortgage Loan Series Trust that includes such Mortgage Loans and (ii) the distributions on MBS or Underlying Certificates, in each case backed by such Mortgage Loans, and, correspondingly, the Certificates of the related MBS Series Trust or Underlying Series Trust, respectively. In general, when the level of prevailing interest rates declines sufficiently relative to the interest rates on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors, including general economic, geographic, social and other conditions. See “Maturity and Prepayment Assumptions” in the MBS Prospectus with respect to prepayments of MBS and “Description of the Certificates—Weighted Average Lives of the Certificates” in the related Prospectus Supplement.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. The Mortgage Loans directly underlying Certificates and MBS and, if the related Prospectus Supplement so specifies, Underlying Certificates, will generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying mortgaged property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. As set forth under “Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*” and “—*MBS Series Trust*” below, Fannie Mae will not exercise its right to accelerate the maturity of Mortgage Loans containing enforceable “due-on-sale” provisions upon certain transfers of the related Mortgaged Property. The extent to which (i) the servicer and/or any special servicer of a Mortgage Loan Series Trust or (ii) the Underlying Servicer will be required to exercise or be permitted to waive its right to accelerate the maturity of Mortgage Loans containing enforceable “due-on-sale” provisions upon certain transfers of the related Mortgaged Property will be set forth in the related Prospectus Supplement.

In an environment of declining interest rates, lenders servicing mortgage loans often are asked by mortgagors to refinance the mortgage loans through issuance of new loans secured by mortgages on the same properties. The resultant prepayments, if they involve Mortgage Loans in Mortgage Pools, result in the distribution to Certificateholders of an MBS Series Trust of the principal balances of the prepaid Mortgage Loans and the distribution to Certificateholders of a Mortgage Loan Series Trust or an Underlying Series Trust of the principal balances of the prepaid Mortgage Loans allocable thereto, as set forth in the related Prospectus Supplement, and, in each case, the removal of such Mortgage Loans from the Mortgage Pools. Under Fannie Mae’s current policy, Lenders servicing Mortgage Loans are permitted to advertise in a general manner their availability to handle refinancings, although they may not specifically target mortgagors whose Mortgage Loans are in Mortgage Pools. Fannie Mae does not, however, permit Lenders or servicers to remove Mortgage Loans from Mortgage Pools for the purpose of modifications of such Loans.

In general, when the level of interest rates declines significantly below the interest rates on mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors, including general economic, geographic, social and other conditions. In addition, certain Mortgage Loans may have provisions restricting the owner’s ability to prepay or containing prepayment penalties in varying amounts, which may or may not influence prepayment rates. Accordingly, Fannie Mae cannot estimate what the prepayment experience of Mortgage Loans in Mortgage Pools will be.

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. Unless otherwise specified in the related Prospectus Supplement, the model (“CPR”) that will be used to measure prepayments will assume a constant rate of prepayment each month, expressed as an annual rate, relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. *CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans backing the Certificates of any Series Trust or underlying the MBS or Underlying Certificates backing the Certificates of such Series Trust.*

Weighted Average Life and Final Distribution Dates

The weighted average life of a security refers to the average length of time, weighted by principal, that will elapse from the date of issuance to the date each dollar of principal is repaid to the investor. The weighted

average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the date of issuance to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a). The weighted average life of the Certificates will be influenced by, among other factors, the rate at which principal payments (including scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to any guaranty of payment by, or option to repurchase of, Fannie Mae) are made on the underlying Mortgage Loans. Prepayments of principal of the Mortgage Loans underlying the Certificates of a Mortgage Loan Series Trust or underlying MBS or, to the extent set forth in the related Prospectus Supplement, Underlying Certificates, will be applied to principal distributions on the Certificates.

The Final Distribution Date for Certificates of a particular Class is the date by which the principal balance is required to be fully paid and will be specified in the related Prospectus Supplement. The Final Distribution Dates of the respective Classes of Certificates of a Series will be determined so that scheduled payments on Mortgage Loans directly underlying such Certificates or scheduled distributions on the underlying MBS and, if the Prospectus Supplement so specifies, on the Underlying Certificates will be sufficient to retire each such Class of the related Series Trust on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates.

The Prospectus Supplement for each Series of Certificates will contain a table setting forth the weighted average life of each Class of Certificates of such Series, and, for any Class of Certificates that has an original principal balance, the percentage of original principal amount of each Class of Certificates of such Series that would be outstanding on specified Distribution Dates for such Series, on the assumption that prepayments on the Mortgage Loans, whether constituting assets of a Series Trust or underlying the MBS or Underlying Certificates therein, are made at such rates and on such other assumptions as may be specified in such Prospectus Supplement. The actual final distribution on each Class of Certificates that is directly backed by Mortgage Loans or MBS or, if so specified in the related Prospectus Supplement, that is directly backed by Underlying Certificates, may occur earlier, and could occur significantly earlier, than its Final Distribution Date because (i) the rate of distribution on the Certificates will be affected by the actual rate of payment (including prepayments) of principal on the Mortgage Loans and (ii) some Mortgage Loans may have stated maturities prior to the dates assumed and may have interest rates lower than that assumed. However, there can be no assurance that the final distribution of principal of any Class of Certificates will be earlier than the Final Distribution Date specified for such Class in the related Prospectus Supplement.

In general, when the level of prevailing interest rates declines sufficiently relative to the interest rates on fixed-rate mortgage loans, the rate of prepayments is likely to increase, although the prepayment rate is influenced by a number of other factors, including the existence in any mortgage loan of provisions that prevent prepayment for a number of years or during certain periods, any obligation to pay a premium, penalty or other fee in connection with a prepayment and general economic, geographic, social and other conditions. See “—Other Considerations” herein and “Description of the Certificates—Weighted Average Lives of the Certificates” in the related Prospectus Supplement. Accordingly, Fannie Mae cannot estimate what the prepayment experience of the Mortgage Loans underlying, directly or indirectly, any Series of Certificates will be.

Fannie Mae has agreed not to effect (i) directly an early termination of any Mortgage Loan Series Trust through the exercise of its right to repurchase the Mortgage Loans in such a Trust unless the principal balance of such Mortgage Pool or Mortgage Pools at the time of repurchase is less than a specified percentage (one percent, unless the Prospectus Supplement specifies otherwise) of the original principal balance thereof or (ii) directly an early termination of any MBS Series Trust through the exercise of its right to repurchase the MBS in such MBS Series Trust, or indirectly an early termination of any MBS Series Trust through the exercise of its right, as described in “Description of Certificates—Termination” in the MBS Prospectus, to repurchase the Mortgage Loans underlying any MBS in such Series Trust, in each case unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent, unless the Prospectus Supplement specifies otherwise) of the original principal balance of such Mortgage Pool. See “The Trust Agreement—Termination.” Unless a Prospectus Supplement provides otherwise, Fannie Mae will not have a right to purchase any Mortgage Loans underlying Underlying Certificates included in a Underlying Series Trust. The rights, if any, of Fannie Mae to purchase any Underlying Certificates backing an Underlying Series Trust will be described in the related Prospectus Supplement. In addition, the related Prospectus Supplement will contain a description of the rights, if any, of the servicer or special servicer or any other person to purchase Mortgage Loans in a Mortgage Loan Series Trust under the Sale and Servicing Agreement or otherwise or the Underlying Servicer or any other

person under the Underlying Pooling and Servicing Agreement to purchase the Mortgage Loans in an Underlying Series Trust.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. Conventional Mortgage Loans generally provide by their terms that in the event of the transfer or prospective transfer of title to the underlying mortgaged property the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. FHA Mortgage Loans contain no such “due-on-sale” provisions. As set forth under “Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*” and “—*MBS Series Trust*” below, Fannie Mae will not exercise its right to accelerate the maturity of Conventional Mortgage Loans containing enforceable “due-on-sale” provisions upon certain transfers of the related Mortgaged Property. The extent to which a servicer, special servicer or other person will be required under the related Sale and Servicing Agreement, or the Underlying Servicer will be required, to exercise its right to accelerate the maturity of Conventional Mortgage Loans backing Certificates or Underlying Certificates, respectively, will be set forth in the related Prospectus Supplement. Consequently, transfers of the underlying Mortgaged Property may not affect prepayments on FHA Mortgage Loans to the same extent as on Conventional Mortgage Loans with comparable interest rates.

PURCHASE PROGRAM

Set forth below is a description of certain aspects of Fannie Mae’s purchase program for Mortgage Loans eligible for inclusion in a Mortgage Pool, whether directly backing Certificates or backing MBS (the “Multifamily Program”). The related Prospectus Supplement to be prepared with respect to each Series of Certificates will contain information on the Mortgage Loans in the Mortgage Pool or Mortgage Pools, including information as to the type of Mortgage Loans, the aggregate principal balance of the Mortgage Loans as of the Certificate Issue Date, the MBS Pass-Through Rate for each MBS backed by Fixed-Rate Mortgage Pools, the initial Pool Accrual Rate for each MBS backed by an ARM Mortgage Pool and the latest maturity date of any Mortgage Loan.

Unless the related Prospectus Supplement otherwise specifies, the Mortgage Loans backing the Underlying Certificates included in an Underlying Trust will generally conform to the Multifamily Program.

Lender Eligibility

Fannie Mae will purchase Mortgage Loans from eligible federally and state-chartered savings and loans associations, mutual savings banks, commercial banks, credit unions, and similar financial institutions, the deposits or accounts of which are insured by a fund administered by the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Administration (“NCUA”), from certain other state-insured financial institutions, and from certain institutions, principally mortgage bankers or sponsors of mortgage conduits, that are mortgage sellers approved by Fannie Mae. Fannie Mae, on an individual institution basis, will determine whether such institutions will be approved as Lenders for the Multifamily Program by applying certain criteria, which may include depth of mortgage origination experience, servicing experience, and financial capacity. Approved Lenders will be party with Fannie Mae to a Mortgage Selling and Servicing Contract and, generally, a Sale and Servicing Agreement (in the case of a Mortgage Loan Series Trust) or a Special Pool Purchase Contract (in the case of an MBS Series Trust).

Mortgage Loan Eligibility

Each Mortgage Loan purchased for inclusion in a Mortgage Pool will be subject to and must comply with the terms of the current Multifamily Guide and the Negotiated Multifamily MBS Announcement for Swap Transactions, in each case as amended, supplemented or replaced from time-to-time (the “Guide”), but Fannie Mae may grant an exception with respect to certain requirements pursuant to any applicable Sale and Servicing Agreement (in the case of a Mortgage Loan Series Trust) or Special Pool Purchase Contract or otherwise.

All Mortgage Loans will be evidenced by promissory notes (“Mortgage Notes”) secured by first or (if the Prospectus Supplement so provides) second mortgages, deeds of trust or other similar security instruments creating a first or (if the Prospectus Supplement so provides) second lien, as applicable, on the fee or leasehold interests of the related mortgagors in Mortgaged Property (such instruments and any other documents that secure a Mortgage Loan, together with the related Mortgage Note, the “Mortgage”). A Mortgage Pool directly backing MBS will consist entirely of Fixed-Rate Mortgage Loans or ARM Mortgage Loans. Unless the related Prospectus Supplement otherwise specifies, an ARM Mortgage Pool may include ARM Mortgage Loans with

Mortgage Interest Rate adjusted periodically (with corresponding adjustments in the amount of monthly payments) to equal the sum (which may be rounded) of a fixed margin and an index described in such Prospectus Supplement, subject to any applicable restrictions on such adjustments. A Mortgage Pool directly backing Certificates or backing Underlying Certificates may consist of both Fixed-Rate Mortgage Loans and ARM Mortgage Loans and, to the extent set forth in the related Prospectus Supplement, may also include other types of Mortgage Loans.

The original principal balance of each Mortgage Loan is restricted by Fannie Mae’s Charter Act to no greater than 125 percent of the dollar amounts set forth in Section 207(c)(3) of the National Housing Act, except that in high cost areas designated by the U.S. Department of Housing and Urban Development, the per unit limitations are 240 percent of the Section 207(c)(3) dollar amounts. The limits in any high cost area are:

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

For example, if a Mortgaged Property contains 100 two-bedroom units in an elevator structure within a high cost area, the maximum original Mortgage Loan would be \$11,569,000. If the Mortgaged Property is not in a high cost area, the maximum original Mortgage Loan would equal the Section 207(c)(3) loan limitation times 125 percent times the number of units. However, to a limited extent, amounts attributable to nonresidential components of the Mortgaged Properties may be deducted from the per unit amount of the Mortgage Loan.

A Mortgage Pool may include FHA Mortgage Loans. FHA Mortgage Loans will be insured under various FHA programs, including the FHA 221 and 223 programs to finance certain multifamily residential rental properties. FHA Mortgage Loans generally require a minimum down payment of approximately 5% of the original principal amount of the FHA Mortgage Loan. No FHA Mortgage Loan may have an interest rate or original principal amount exceeding the applicable FHA limits at the time of origination of such FHA Mortgage Loan.

DESCRIPTION OF THE CERTIFICATES

General

The Guaranteed Multifamily REMIC Pass-Through Certificates (“Certificates”) are issued and guaranteed by the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Certificates of each Series will be issued and guaranteed and each Series Trust will be maintained pursuant to the terms of a trust agreement which, in the case of a Series directly backed by Mortgage Loans or MBS, may include an issue supplement for such Series (the “Series Supplement”), each executed by Fannie Mae in its corporate capacity and in its capacity as Trustee (in the case of a Series directly backed by Mortgage Loans or MBS, such trust agreement and any Series Supplement collectively, the “Trust Agreement”; and, in the case of a Series directly backed by Underlying Certificates, such trust agreement individually, the “Trust Agreement”). The Trust Agreement as supplemented by any Series Supplement will set forth the specific terms of the Series of Certificates, such as the Pass-Through Rate applicable thereto in the case of a Fixed-Rate Mortgage Pool, the Certificate Issue Date and, with respect to an Underlying Series Trust, a description of the extent to which the Fannie Mae guaranty will cover the payment of interest on and principal of the Certificates. The Series Supplement will also contain any variation from the basic Trust Agreement applicable to the particular Series of Certificates, any such material variation also to be described in the related Prospectus Supplement.

The Certificates together, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, with any Subordinate Classes, of each Series will represent the entire beneficial ownership interest in the Series Trust created pursuant to the Trust Agreement related to such Series, subject to the limits and the order of distribution described herein and in the related Prospectus Supplement. Each Series Trust will consist of one of the following:

(i) a Mortgage Pool of Mortgage Loans and the Trust Account and all cash and investments held therein, (ii) MBS, held directly or indirectly therein, representing all or part of the beneficial ownership interests in one or more Mortgage Pools and the Trust Account and all cash and investments held therein or (iii) Underlying Certificates, held directly or indirectly therein, representing all or part of the beneficial ownership interests in one or more Mortgage Pools and the Trust Account and all cash and investments held therein.

Each Series of Certificates will include two or more Classes, which may include one or more Classes upon which for any Distribution Date all or a portion of the interest then due may accrue but be undistributed (each, an “Accrual Class”). Interest accrued on each Accrual Class of Certificates will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement.

The following summaries describe certain provisions common to each Series of Certificates. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the Prospectus Supplement and the provisions of the Trust Agreement relating to each Series of Certificates and, in the case of an Underlying Series Trust, the related Underlying Pooling and Servicing Agreement. When particular provisions or terms used in the Trust Agreement are referred to, the actual provisions (including definitions of terms) are incorporated by reference as part of such summaries.

Denominations, Certificate Form

Unless otherwise specified in the related Prospectus Supplement, the Certificates, other than any Residual Certificate, offered hereby and by the related Prospectus Supplement will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The book-entry Certificates will be maintained on the book-entry system of the Federal Reserve Banks in a manner that permits separate trading and ownership. Each Class of Certificates will be assigned a CUSIP number and will be tradeable separately under such CUSIP number.

Fannie Mae’s fiscal agent for the book-entry Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will issue such Certificates in book-entry form and will maintain book-entry accounts with respect to such Certificates and make distributions on such Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders’ accounts at the Federal Reserve Banks.

Book-entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of the Federal Reserve Banks as the entities for whose accounts the Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a book-entry Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a book-entry Certificate that is not also the Holder of the Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a book-entry Certificate.

A Fiscal Agency Agreement between Fannie Mae and the Federal Reserve Bank of New York makes generally applicable to the book-entry Certificates (i) regulations governing Fannie Mae’s use of the book-entry system, contained in 24 C.F.R. Part 81, Subpart E, and (ii) such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, as now set forth in Treasury Department Circular Number 300, 31 C.F.R. Part 306 (other than Subpart O). The book-entry Certificates are also governed by applicable operating circulars and letters of the Federal Reserve Bank.

The Residual Certificates offered hereby and by the related Prospectus Supplement will not be issued in book-entry form but will be issued in fully registered, certificated form. As to a Residual Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The Residual Certificates will be transferable and exchangeable at the corporate trust office of the Transfer Agent as specified in the related Prospectus Supplement. A service charge may be imposed for any exchange or registration of transfer of a Residual Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental

charge. Distributions on the Residual Certificates of any Series will be made in the manner set forth in the related Prospectus Supplement.

The MBS and Underlying Certificates

Unless the related Prospectus Supplement provides otherwise, each MBS will be backed by one or more Mortgage Pools that may consist of Conventional Mortgage Loans or FHA Mortgage Loans. The general characteristics of the MBS are described in the MBS Prospectus, and specific information regarding the MBS, including the Pass-Through Rate for MBS backed by Fixed-Rate Mortgage Loans (the “MBS Pass-Through Rate”) and the Pool Accrual Rate for MBS backed by ARM Mortgage Loans (the “MBS Pool Accrual Rate”) and the WACs and WAMs of the Mortgage Loans underlying the MBS included in a MBS Series Trust will be contained in the related Prospectus Supplement.

The Underlying Certificates will be backed by one or more Mortgage Pools that may consist of Conventional Mortgage Loans, FHA Mortgage Loans, Fixed-Rate Mortgage Loans, ARM Mortgage Loans or other types of Mortgage Loans or any combination thereof, as will be described in the related Prospectus Supplement. The other characteristics of the Underlying Certificates constituting assets of an Underlying Series Trust, including the interest rates borne by such Certificates, and specific information about the Mortgage Loans backing such Certificates will be contained in the related Prospectus Supplement.

Class Definitions and Abbreviations

Classes of Certificates fall into different categories. The following chart identifies and generally defines most categories. The first column of the chart shows Fannie Mae’s abbreviation for each category. The cover page of each Prospectus Supplement will identify the categories of Classes of the related Series of Certificates by means of one or more of these abbreviations.

| <u>Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u> |
|------------------------|--------------------------|---|
| PRINCIPAL TYPES | | |
| AD | Accretion Directed | A Class that receives principal payments from the accreted interest from specified Accrual Classes. An Accretion Directed Class also may receive principal payments from principal paid on the underlying MBS, Underlying Certificates or other assets of the related Series Trust. |
| AFC | Available Funds | A Class that receives as principal specified principal payments on the underlying assets of the related Series Trust and that may receive as principal the interest paid on such assets to the extent such interest exceeds certain required interest distributions on such Class as set forth in the related Prospectus Supplement. |
| CPT | Component | A Class consisting of “Components.” The Components of a Component Class may have different principal and/or interest payment characteristics but together constitute a single Class. Each Component of a Component Class may be identified as falling into one or more of the categories in this chart. |
| NPR | No Payment Residual | A Residual Class that receives no payments of principal. |
| NSJ | Non-Sticky Jump | A Class whose principal payment priorities change temporarily upon the occurrence of one or more “trigger events.” A Non-Sticky Jump Class “jumps” to its new priority on each Distribution Date when the trigger condition is met and reverts to its original priority (does not “stick” to the new priority) on each Distribution Date when the trigger condition is not met. |
| NTL | Notional | A Class having no principal balance and bearing interest on the related notional principal balance. The notional principal balance is used for purposes of the determination of interest distributions on an Interest Only Class that is not entitled to principal. |

| <u>Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u> |
|---------------------|-----------------------------------|---|
| PAC | PAC (or Planned Principal Class) | A Class that is designed to receive principal payments using a predetermined principal balance schedule derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgage Loans. These two rates are the endpoints for the “structuring range” for the PAC Classes. The PAC Classes in any Series of Certificates may be subdivided into different categories (e.g., <i>Type I PAC Classes</i> , <i>Type II PAC Classes</i> and so forth (standard abbreviations: <i>PAC I</i> , <i>PAC II</i> and so forth)) having different effective structuring ranges and different principal payment priorities. The structuring range for the PAC II Class of a Series of Certificates is narrower than that for the PAC I Class of such Series. |
| PT | Pass-Through | A Class that is designed to receive principal payments based on actual or scheduled payments on the underlying Mortgage Loans, or actual or scheduled distributions on the underlying MBS or Underlying Certificates. |
| SCH | Scheduled | A Class that is designed to receive principal payments using a predetermined principal balance schedule but is not designated as a PAC or TAC Class. In many cases, the schedule is derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgage Loans. These two rates are the endpoints for the “structuring range” for the Scheduled Class. |
| SEQ | Sequential Pay | Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that under all circumstances receive payments of principal continuously from the first Distribution Date on which they receive principal until they are retired. A single Class that receives principal payments before or after all other Classes in the same Series of Certificates may be identified as a Sequential Pay Class. |
| SJ | Sticky Jump | A Class whose principal payment priorities change permanently upon the occurrence of one or more “trigger events.” A Sticky Jump Class “jumps” to its new priority on the first Distribution Date when the trigger condition is met and retains (“sticks” to) that priority until retired. |
| STP | Strip | A Class that receives a constant proportion, or “strip,” of the principal payments on the underlying MBS, Underlying Certificates or other assets of the Series Trust. |
| SUP | Support (or Companion) | A Class that receives principal payments on any Distribution Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes. |
| TAC | TAC (or Targeted Principal Class) | A Class that is designed to receive principal payments using a pre-determined principal balance schedule derived by assuming a single <i>constant</i> prepayment rate for the underlying Mortgage Loans. |
| XAC | Index Allocation Class | A Class whose principal payment allocation is based on the value of an index. |

INTEREST TYPES

| | | |
|-----|-----------------|---|
| AFC | Available Funds | A Class that receives as interest certain payments on the underlying assets of the related Series Trust, which payments may be insufficient on any Distribution Date to cover fully the accrued and unpaid interest thereon at the specified interest rate for the related Interest Accrual Period. In the event of any such insufficiency, the unpaid interest amount may be carried over to subsequent Distribution Dates (and such unpaid interest amount may itself accrue interest) until payments, as specified in the related Prospectus Supplement, are sufficient to cover all such unpaid interest amounts. It is possible that such insufficiencies will remain unpaid and, in such case, such insufficiencies will not be covered by Fannie Mae’s guaranty. |
|-----|-----------------|---|

| <u>Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u> |
|---------------------|--------------------------|---|
| CPT | Component | A Class that consists of two or more segments or “components.” The components of a Component Class may have different interest payment characteristics but together constitute a single Class. Each component of a Component Class may be identified as falling into one or more categories in this chart. |
| EXE | Excess | A Residual Class that receives any principal and interest paid on the underlying MBS, Underlying Certificates or other assets of a Series Trust in excess of the amount of the prescribed principal and interest required to be paid on all Classes of Certificates in the Series. Excess Classes sometimes have specified principal balances but no specified interest rate. |
| FIX | Fixed Rate | A Class whose interest rate is fixed throughout the life of the Class. |
| FLT | Floating Rate | A Class with an interest rate that resets periodically based upon a designated index and that varies directly with changes in such index. |
| IDC | Index Differential | A Class that bears a floating interest rate computed in part on the basis of the difference between two designated indices (e.g., LIBOR and the Ten-Year Treasury Index). |
| INV | Inverse Floating Rate | A Class with an interest rate that resets periodically based upon a designated index and that varies inversely with changes in such index. |
| IO | Interest Only | A Class that receives some or all of the interest payments made on the underlying MBS, Underlying Certificates or other assets of the Series Trust and little or no principal. Interest Only Classes have either a nominal or a notional principal balance. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal. |
| NPR | No Payment Residual | A Residual Class that receives no payments of interest. |
| PO | Principal Only | A Class that does not bear interest and is entitled to receive only payments of principal. |
| PZ | Partial Accrual | A Class that accretes a portion of the amount of accrued interest thereon, which amount will be added to the principal balance of such Class on each applicable Distribution Date, with the remainder of such accrued interest to be distributed currently as interest on such Class. Such accretion may continue until a specified event has occurred or until such Partial Accrual Class is retired. |
| WAC | Weighted Average Coupon | A Class whose Class coupon represents blended interest rates that may change from period to period. A WAC Class may consist of Components, some of which have different interest rates. |
| Z | Accrual | A Class that accretes the amount of accrued interest otherwise distributable on such Class, which amount will be added as principal to the principal balance of such Class on each applicable Distribution Date. Such accretion may continue until some specified event has occurred or until such Accrual Class is retired. |

OTHER TYPES

| | | |
|-----|--------------|--|
| LIQ | Liquid Asset | A Class that is intended to qualify as “liquid assets” for purposes of the liquidity requirements applicable to certain depository institutions. Any Class designated as a Liquid Asset Class will have a Final Distribution Date not later than five years from its date of issuance. |
|-----|--------------|--|

| <u>Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u> |
|---------------------|--------------------------|--|
| RTL | Retail | A Class that is designated for sale to retail investors. Retail Classes frequently are sold in small “units” or other increments and issued in book-entry form through the facilities of the Depository Trust Company. Retail Classes may be entitled to receive distributions of principal in accordance with special priorities and allocation procedures. |

Distributions of Interest

The Certificates of each interest-bearing Class will bear interest on their unpaid principal or notional principal balances from the date and at the rate per annum specified in (or determined as specified in) the related Prospectus Supplement (calculated, unless otherwise specified in the related Prospectus Supplement, on the basis of a 360-day year of twelve 30-day months) until the principal amount of the Certificates of such Class is paid in full. Interest accrued on the interest-bearing Classes other than an Accrual Class during any Interest Accrual Period will be distributable on the Distribution Dates and at the applicable interest rates specified in the related Prospectus Supplement. Interest accrued on each Accrual Class will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement.

Distributions of Principal

On each Distribution Date for a Series of Certificates, Fannie Mae will be obligated to make principal distributions in the manner described in the related Prospectus Supplement to the Holders of the Certificates of such Series as to which principal is then due, and each such Class of Certificates will be fully paid no later than the Final Distribution Date for such Class specified in such Prospectus Supplement.

Unless the related Prospectus Supplement provides otherwise, the total amount of each principal distribution required to be made on the Certificates of a Series on a Distribution Date will be equal to the sum of (i) the interest, if any, that has accrued on the Accrual Classes of such Series during the preceding Interest Accrual Period but is not yet payable; and (ii) an amount equal to (A) all payments of principal on the Mortgage Loans for the related Due Period (in the case of a Mortgage Loan Series Trust) or (B) all distributions of principal of the MBS for the related Deposit Period or all distributions of principal of the Underlying Certificates for the related Due Period (in the case of a MBS Series Trust or an Underlying Series Trust, respectively). The Prospectus Supplement for each Series of Certificates will specify the manner in which the amount of such aggregate principal distribution will otherwise be determined. Unless otherwise specified in the related Prospectus Supplement, the timing for the distributions of prepayments in respect of a Mortgage Loan backing a Mortgage Loan Series Trust or an MBS is subject to the receipt of information about such prepayment from the servicer of such Mortgage Loan in sufficient time to allow the monthly factors published in the Fannie Mae Monthly Factor Report in the Bond Buyer or elsewhere to reflect such prepayment. In the event that timely information is not available, Fannie Mae will distribute such prepayment on the Distribution Date in the next month. Fannie Mae does not currently receive information concerning partial prepayments of Mortgage Loans in Mortgage Pools consisting of Mortgage Loans from Fannie Mae’s portfolio in sufficient time for their inclusion in next month’s distribution. For purposes of distributions, a Mortgage Loan will be considered to have been paid in full if, in the reasonable judgment of Fannie Mae or any servicer or special servicer engaged thereby, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the Stated Principal Balance (as hereinafter defined) of the Mortgage Loan. The timing for the distributions of prepayments in respect of a Mortgage Loan backing Underlying Certificates in an Underlying Series Trust will be as described in the related Prospectus Supplement.

Distributions on any Distribution Date will be made to Certificateholders of record on the prior Record Date (the close of business on the last day of the immediately preceding month).

Fannie Mae’s Guaranty

Pursuant to the guaranty of the Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders of Certificates, whether backed by Mortgage Loans or MBS, required installments of principal and interest to the extent set forth in the related Prospectus Supplement and to distribute the principal balance of

each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. In addition, in the case of the MBS Series Trust, pursuant to the guaranty of the MBS, Fannie Mae will guaranty the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, together with the full principal balance of any foreclosed Mortgage Loan, whether or not such balance is actually recovered.

Fannie Mae's guaranty of Certificates and MBS evidencing direct beneficial ownership interests in ARM Mortgage Pools will cover the principal of each underlying ARM Mortgage Loan, including any portion thereof representing deferred interest. Its guaranty of interest will cover all interest due and payable by the mortgagor (net of the servicing fee and the Fannie Mae fees, including its guaranty fee). Fannie Mae also will add to the amount of interest accompanying the prepayment of an underlying ARM Mortgage Loan any amount by which such interest that is distributable to Holders of Certificates and holders of MBS is less than one month's interest at the rate that accrues to Holders of Certificates and holders of MBS, respectively, on the ARM Mortgage Loan on the prepaid principal balance thereof. As a consequence, the timing of the prepayment of an ARM Mortgage Loan will have no effect, for the month in which such prepayment is made, on the interest return to Holders of Certificates and holders of MBS.

If Fannie Mae were unable to perform the foregoing guaranty obligations, distributions to Certificateholders would consist solely of payments and other recoveries on the underlying Series Trust Assets and, accordingly, delinquencies and defaults on the Mortgage Loans or MBS, as applicable, would affect distributions to Certificateholders.

The extent to which Fannie Mae's guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement. Fannie Mae will not guarantee any such Underlying Certificates, but Fannie Mae will guarantee the interest on and principal of Mortgage Loans that back Underlying Certificates to the extent of the indirect beneficial ownership interest of the Certificates of a Series in such Mortgage Loans, unless the related Prospectus Supplement specifies otherwise.

The obligations of Fannie Mae under its guaranties are obligations solely of Fannie Mae and are not backed by, nor entitled to, the full faith and credit of the United States.

Fannie Mae will not guarantee the collection from any mortgagor or the Lender or other servicer of any Yield Maintenance Charge or Prepayment Premium payable in connection with a principal prepayment on a Mortgage Loan, and in the event a Trust Agreement entitles Certificateholders to receive a distribution of such Yield Maintenance Charge Prepayment Premium, such Certificateholders will receive such Yield Maintenance Charge Prepayment Premium only to the extent it is actually collected from the mortgagor and paid by the Lender or other servicer to the Trustee.

Payments on Series Trust Assets; Deposits in the Trust Account

Mortgage Loan Series Trust

Unless the Prospectus Supplement otherwise specifies, on each Distribution Date, Fannie Mae will deposit or credit to one or more accounts (collectively, the "Trust Account") an amount equal to (i) the principal due on the Mortgage Loans in the related Mortgage Pool during the related Due Period, to the extent distributable to Holders of Certificates, (ii) the Stated Principal Balance⁽¹⁾ of any such Mortgage Loan that was prepaid in full during the month preceding the month of such deposit (including as prepaid for this purpose any Mortgage Loan repurchased by Fannie Mae as described herein because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest), (iii) (A) the Stated Principal Balance of any Mortgage Loan that Fannie Mae has elected to repurchase (or the principal component of the purchase price payable by Fannie Mae in connection with any such election) under the circumstances described in "Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*" below or (B) the principal component of the purchase price any other person with such right which elected to purchase, as shall be described in the related Prospectus Supplement, (iv) the amount of any partial prepayment of any Mortgage Loan received during the month preceding the month of such distribution, and (v) one month's interest at the Pass-Through Rate on the principal balance of the Certificates, in the case of a Fixed-Rate Mortgage Pool, or the amount of interest due on the ARM Mortgage Loans during the applicable Due

(1) Unless otherwise provided in the related Prospectus Supplement, all references herein to the Stated Principal Balance of a Mortgage Loan or to the aggregate Stated Principal Balance of all Mortgage Loans in a Mortgage Pool are to the principal balance or aggregate principal balance, as the case may be, utilized by Fannie Mae in calculating the then-outstanding principal balances of Certificates. Such Stated Principal Balances may differ from actual principal balances for a number of reasons, including supplemental payments by Fannie Mae on delinquent Mortgage Loans pursuant to its guaranty obligations and delays in the distribution of certain Mortgage Loan receipts.

Period (net of the servicing fee and the Fannie Mae fees, including its guaranty fee or other expenses payable therefrom), to the extent distributable to Holders of Certificates. Amounts credited to the Trust Account on a Distribution Date will be available to be distributed to Holders of Certificates on such date. See “—Distributions of Principal” for a description of the timing of distributions of prepayments in respect of a Mortgage Loan backing a Mortgage Loan Series Trust or an MBS.

Certain amounts remaining in the Trust Account on such Distribution Date following the required distribution of principal of and interest on the Certificates may be used to pay administrative expenses of the Mortgage Loan Series Trust.

MBS Series Trust

On each Distribution Date, Fannie Mae will deposit or credit to the Trust Account an amount equal to the sum of the distributions of the principal of and interest on the MBS in the related Series Trust. See “Description of Certificates—Payments on Mortgage Loans; Distributions on Certificates” in the MBS Prospectus. Amounts credited to the Trust Account on a Distribution Date will be available to be distributed to Holders on such date.

Certain amounts remaining in the Trust Account on each Distribution Date following the required distribution of principal of and interest on the Certificates may be used to pay administrative expenses of the MBS Series Trust.

Underlying Series Trust

Unless the Prospectus Supplement otherwise specifies, on each Distribution Date, distributions will be required to be made of the principal of and interest on the Underlying Certificates. The amount of distributions on the Underlying Certificates, the deposit or credit by Fannie Mae of amounts into the related Trust Account, whether representing distributions on the Underlying Certificates or payments under the Fannie Mae guaranty, and application of such deposits to make distributions on related Certificates and to make any other payments, will be set forth in the related Underlying Pooling and Servicing Agreement and Trust Agreement and described in the related Prospectus Supplement.

Retention by Fannie Mae of Trust Account

The Trust Agreement permits Fannie Mae as Trustee to maintain the Trust Account (i) as a trust account with an eligible depository institution (which account may contain other funds held by Fannie Mae in a trust capacity), (ii) as part of Fannie Mae’s general assets, with appropriate entries being made on its books and records designating the funds and investments credited to the applicable Series Trust or (iii) any combination of accounts or book entries described in clauses (i) and (ii) above.

As noted above, Fannie Mae, as Trustee, has the option to maintain the Trust Account as part of its general assets, by making appropriate entries on its books and records designating the funds and investments credited to a Series Trust. Although Fannie Mae is required to hold all such funds (and, upon deposit in such Account, the investment of such funds) for the account of Certificateholders in the related Series Trust, the law applicable to a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders’ interest in such funds and investments in the event of any such proceeding.

Reports to Certificateholders

Mortgage Loan Series Trust

As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available to Holders of Certificates directly backed by Mortgage Loans the REMIC Trust Factor (carried to eight decimal places) for each Class of such Certificates after giving effect to the distribution of principal to be made on the following Distribution Date (and the accretion of principal of any Accrual Classes). The principal balance of a Certificate of any Class after giving effect to such principal distribution (and accretion) will be the product of the applicable REMIC Trust Factor and the applicable denomination or initial principal balance of such Certificate. With respect to each distribution on Certificates of each Class, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total principal and/or interest distributions on such Distribution Date with respect to the Certificates in each Class held by such Holder. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such

statements and information as shall be required to be furnished pursuant to the Internal Revenue Code of 1986, as amended (the “Code”).

In addition, Fannie Mae will make available, in an electronic or other format, information with respect to the Certificates, the Subordinate Classes, and/or the Mortgage Loans.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

MBS Series Trust

The reports to be provided to Holders of Certificates backed by MBS are set forth in the first paragraph under “—*Mortgage Loan Series Trust*” above.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

Underlying Series Trust

Unless otherwise specified in the Prospectus Supplement, the reports to be provided to Holders of Certificates backed by Underlying Certificates will be identical to those described under “MBS Series Trust” above.

Servicing Through Lenders

Mortgage Loan Series Trust

Pursuant to the Trust Agreement, Fannie Mae is responsible for servicing and administering the Mortgage Loans in a Mortgage Loan Series Trust, or, in its discretion, is permitted to contract with the Lender or another eligible servicer, to perform all or part of such servicing, as will be more fully described in the related Prospectus Supplement. Any servicing contract or arrangement by Fannie Mae with a Lender or other servicer for the direct servicing of Mortgage Loans is a contract solely between Fannie Mae and that Lender or other servicer, and neither the Certificateholders nor any holders of Subordinate Classes are deemed to be parties thereto and, except as otherwise provided in the applicable Trust Agreement and described in the related Prospectus Supplement, have no claims, rights, obligations, duties, or liabilities with respect to such servicer.

Servicers will be obligated to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by the Guide, as amended by any applicable Sale and Servicing Agreement. Fannie Mae will monitor the servicer’s performance and has the right to remove any servicer for cause at any time it considers such removal to be in the best interest of Certificateholders and the holders of any Subordinate Classes. The duties performed by servicers include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, modifications to, and realization on, defaulted Mortgage Loans (including by foreclosure) and management of any Mortgaged Property that becomes owned by the Trust.

MBS Series Trust

Pursuant to the MBS Trust Indenture, the servicing responsibilities of Fannie Mae, including with respect to its supervision of Lenders or other servicing institutions designated by Fannie Mae to service Mortgage Loans that back MBS, are identical to those described under “Description of Certificates—Servicing Through Lenders” in the MBS Prospectus.

Underlying Series Trust

The servicing responsibilities of the Underlying Servicer with respect to Mortgage Loans that back Underlying Certificates will be set forth in the relevant Underlying Pooling and Servicing Agreement and summarized in the related Prospectus Supplement.

Collection and Other Servicing Procedures

Mortgage Loan Series Trust

Fannie Mae will service the Mortgage Loans in each Mortgage Loan Series Trust or may, as set forth above, contract with Lenders or other servicers. In connection with its servicing of, or contracting with, Lenders or other servicers to service, Mortgage Loans, Fannie Mae has full power and authority to do or cause to be done (or to cause or permit Lenders or other servicers to do or cause to be done) any and all things as Fannie Mae (or, to the extent permitted by Fannie Mae, such persons) may deem necessary or appropriate in its (or, to the extent permitted by Fannie Mae, their) sole discretion, including the foreclosure or comparable conversion of defaulted Mortgage Loans. In lieu of undertaking any such foreclosure, Fannie Mae may, in its discretion and without obligation, repurchase (or permit a Lender or other servicer to purchase) from the Mortgage Loan Series Trust any Mortgage Loan that is delinquent. The purchase price will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the Pass-Through Rate in the case of a Fixed-Rate Mortgage Loan (or the Accrual Rate in the case of an ARM Mortgage Loan) or such other purchase price that shall be set forth in the related Prospectus Supplement and, except as otherwise provided in the related Prospectus Supplement, will be distributed to Certificateholders in the same manner as full prepayments of Mortgage Loans. See “Payments on Series Trust Assets; Deposits in Trust Account—*Mortgage Loan Series Trust*.” Notwithstanding the foregoing and the following paragraphs, the power, authority and discretion of Fannie Mae (or Lender or other servicers) to service the Mortgage Loans and make decisions with respect to the Mortgage Loans (including, without limitation, any of the foregoing described herein) shall be subject to the limitations on such power, authority and discretion set forth in the Trust Agreement for the Mortgage Loan Series Trust, as shall be described in general in the related Prospectus Supplement.

With respect to each Mortgage Loan in a Mortgage Pool, the Lender makes certain warranties to Fannie Mae concerning such matters as the recordation of the original Mortgage, the validity of the Mortgage Loan as a first (or, if applicable, second) lien on the Mortgaged Property, and compliance by such Mortgage Loan with applicable state and federal laws. Unless otherwise specified in the Prospectus Supplement, in the event of a material breach of any such warranty or a material defect in the Mortgage Loan documentation, Fannie Mae may withdraw, or cause the withdrawal of, such Mortgage Loan from the Mortgage Loan Series Trust at a price equal to its Stated Principal Balance together with interest thereon at the Pass-Through Rate in the case of a Fixed-Rate Mortgage Loan (or the Accrual Rate in the case of an ARM Mortgage Loan).

Subject to the following paragraphs and to the extent consistent with then-current policies of Fannie Mae respecting mortgage loans held in its own portfolio, Fannie Mae may enforce or waive enforcement of any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan, or take any action or refrain from taking any action in servicing any Mortgage Loan. Unless otherwise provided in the related Prospectus Supplement, in such connection, Fannie Mae may waive any Yield Maintenance Charge, Prepayment Premium, assumption fee, or late payment charge, or may exercise or refrain from exercising any “call option rider”; provided, however, that any decision to exercise or refrain from exercising any “call option rider” must be consistent with then-current policies or practices employed by Fannie Mae respecting comparable mortgage loans held in its own portfolio and must be without consideration of the ownership status of the related Mortgage Loan.

Unless the related Prospectus Supplement otherwise provides, in connection with the sale or transfer, or prospective sale or transfer, of all or any interest in a Mortgaged Property, Fannie Mae will not enforce (or permit any Lender or other servicer to enforce) any “due-on-sale” clause in the related Mortgage Loan documents but will allow the prospective transferee to assume the remainder of the Mortgage Loan, provided the transferee is approved by Fannie Mae (or the Lender or other servicer) using the then-published multifamily underwriting guidelines of Fannie Mae as they relate to creditworthiness and other eligibility criteria of the transferee. Unless the related Prospectus Supplement otherwise specifies, such assumption of the remainder of the Mortgage Loan will be on the original terms thereof. If the foregoing conditions for assumption of the Mortgage Loan are not satisfied, Fannie Mae (or the Lender or other servicer) will accelerate the maturity of the Mortgage Loan pursuant to any “due-on-sale” clause or withdraw such Mortgage Loan, but Fannie Mae (or the Lender or other servicer) will not be required to do either if it is restricted by law from accelerating such Mortgage Loan, for any reason whatever. See “Maturity and Prepayment Considerations and Risks.”

In the event that, for any reason, Fannie Mae (or a Lender or other servicer) is not obligated to accelerate the maturity of a Conventional Mortgage Loan upon the transfer, or prospective transfer, of title to the underlying Mortgaged Property, Fannie Mae (or a Lender or other servicer) may enter into a transaction by which the obligor is released from liability on the related Mortgage Loan and the transferee assumes such liability;

provided, however, that no such transaction shall provide for reduction of the Mortgage Interest Rate or, in the case of any ARM Mortgage Loan, provide for any change in any interest rate adjustment provision or provision governing the calculation of scheduled payments if any such change would be adverse to the interest of Certificateholders.

The Trust Agreement provides that Fannie Mae may repurchase from the related Mortgage Pool, at a price equal to the Stated Principal Balance thereof plus accrued interest thereon at the applicable Pass-Through Rate in the case of a Fixed-Rate Mortgage Loan (or the applicable Accrual Rate in the case of an ARM Mortgage Loan) or at a price that shall be set forth in the related Prospectus Supplement, any Mortgage Loan respecting which the underlying Mortgaged Property is transferred, or proposed to be transferred, under circumstances permitting Fannie Mae to accelerate the maturity of such Mortgage Loan pursuant to the terms of any “due-on-sale” clause contained therein.

MBS Series Trust

The collection and other servicing procedures in the MBS Trust Indenture for the Mortgage Loans backing MBS are described under “Description of Certificates—Collection and Other Servicing Procedures” in the MBS Prospectus.

Underlying Series Trust

The collection and other servicing procedures of the Underlying Servicer for Mortgage Loans that back Underlying Certificates will be set forth in the relevant Underlying Pooling and Servicing Agreement and certain of such procedures will be summarized in the related Prospectus Supplement. The related Prospectus Supplement also will contain a summary of the repurchase obligations of the Underlying Depositor (or other responsible person) with respect to Mortgage Loans backing the Underlying Certificates in the event of a breach of the representations and warranties made in the Underlying Pooling and Servicing Agreement. In addition, any formalized collection and servicing procedures of Fannie Mae with respect to the Underlying Certificates that back any Series of Certificates will be set forth in the related Trust Agreement and summarized in the related Prospectus Supplement.

Additional Characteristics of Residual Certificates

A Certificate of any Class that is designated in the Prospectus Supplement as a residual interest in a Multifamily REMIC Trust (a “Residual Certificate”) may not be transferred to a “disqualified organization” or any person who would hold a Residual Certificate on behalf of a disqualified organization. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” includes the United States, any State or political subdivision thereof, any foreign government, any international organization, or any agency or instrumentality of the foregoing (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to the tax on unrelated business income. Each transferee of a Residual Certificate will be required to execute an affidavit, in a form acceptable to Fannie Mae, that: (i) it is not a disqualified organization, (ii) it is not acquiring the Residual Certificate for the account of a disqualified organization, (iii) it consents to any amendment of the Trust Agreement that shall be deemed necessary by Fannie Mae (upon advice of counsel) to constitute a reasonable arrangement to ensure that the Residual Certificates will not be owned directly or indirectly by a disqualified organization, (iv) no purpose of the acquisition of the Residual Certificate is to avoid or impede the assessment or collection of tax, (v) it understands that it may incur tax liabilities in excess of any cash flows generated by the Residual Certificate, (vi) it intends to pay taxes associated with holding the Residual Certificate as they become due, and (vii) it will not transfer such Residual Certificate unless (a) it has received from the transferee an affidavit containing these same seven representations and (b) as of the time of the transfer, it does not have actual knowledge that such affidavit is false. See “Certain Federal Income Tax Consequences—Sales of Certificates—*Residual Certificates Transferred to or Held by Disqualified Organizations*” below. Such transferee also must deliver a properly executed Internal Revenue Service (“IRS”) Form W-9 on which such transferee provides its taxpayer identification number. In addition, a pass-through entity (including a nominee) that holds a Residual Certificate may be subject to additional taxes if a disqualified organization is a record holder therein.

In addition, no transfer of record or beneficial ownership in a Residual Certificate (whether pursuant to a purchase, a default under a secured lending agreement or otherwise) will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. The term “U.S. Person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. A Residual Certificate would be treated as constituting a noneconomic residual interest unless, at the time of the transfer, (i) the present value of the expected future distributions on the Residual Certificate is no less than the product of the present value of the “anticipated excess inclusions” with respect to such Certificate and the highest corporate rate of tax for the year in which the transfer occurs, and (ii) the transferor reasonably expects that the transferee will receive distributions from the applicable Multifamily REMIC Trust, in an amount sufficient to satisfy the liability for income tax on any “excess inclusions” at or after the time when such liability accrues. Anticipated excess inclusions are the excess inclusions that are anticipated to be allocated to each calendar quarter (or portion thereof) following the transfer of a Residual Certificate, determined as of the date such Certificate is transferred and based on events that have occurred as of that date and on the Prepayment Assumption. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” and “—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*.”

The Regulations provide that a significant purpose to impede the assessment or collection of tax exists if, at the time of the transfer, a transferor of a Residual Certificate has “improper knowledge” (*i.e.*, either knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the Multifamily REMIC Trust). A transferor is presumed not to have improper knowledge if (i) the transferor conducts, at the time of a transfer, a reasonable investigation of the financial condition of the transferee and, as a result of the investigation, the transferor finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future; and (ii) the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. Transferors of a Residual Certificate should consult with their own tax advisors for further information regarding such transfers.

Fannie Mae will provide to Holders of Residual Certificates of each Series of Certificates (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the Certificates of such Series that may be required under the Code.

THE TRUST AGREEMENT

The following summaries describe certain provisions of the Trust Agreement for a Series Trust not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Trust Agreement. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

Transfer of Mortgage Loans to Mortgage Pools

Mortgage Loan Series Trust

Each Mortgage Loan transferred to a Mortgage Pool that directly backs a Series of Certificates will be identified in a Mortgage Loan Schedule appearing as an exhibit to the Trust Agreement for such Series of Certificates. In addition, in the case of whole Mortgage Loans, Fannie Mae, as Trustee of the Mortgage Loan Series Trust, will hold on behalf of Certificateholders the original Mortgage Note, endorsed in blank, and an assignment to Fannie Mae of the mortgage instrument. Usually assignments are in a form suitable for recording but they may not be recorded. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the related Mortgaged Properties are not located in the same recording jurisdiction, depending on the Lender’s servicing experience and its financial condition. At its option, Fannie Mae may choose to maintain such documents with a custodian institution (the Lender or another 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 NCUA. Fannie Mae will review the Mortgage Loan Schedule prior to the

issuance of the Certificates and will conduct random spot checks to confirm the sufficiency of the documents after issuance of the Certificates.

Although the above procedures are intended to protect the interests of the Holders of Certificates in the Mortgage Loan Series Trust with respect to the related Mortgage Pool, the law applicable to a liquidation, reorganization, or similar proceeding involving the assets of a Lender or of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interests in the event of any such proceeding. Fannie Mae's guaranty would, however, by its terms be available in the event of any such proceeding involving the assets of a Lender.

MBS Series Trust

Pursuant to the applicable MBS Trust Indenture, the transfer of Mortgage Loans to Mortgage Pools that back MBS is identical to that for a Mortgage Loan Series Trust and is described under "*Mortgage Loan Series Trust*" above.

Underlying Series Trust

The transfer of Mortgage Loans to Mortgage Pools that back Underlying Certificates will be as provided in the relevant Underlying Pooling and Servicing Agreement and as will be summarized in the related Prospectus Supplement.

Transfer of MBS and Underlying Certificates to a Series Trust

MBS

The MBS transferred to a MBS Series Trust will be identified in a Fannie Mae Security Schedule appearing as an exhibit to the Trust Agreement for such Series Trust. The MBS will be registered in Fannie Mae's name on the books of the Federal Reserve Bank of New York and held for the Holders of Certificates by Fannie Mae in its capacity as Trustee of such Series Trust.

Underlying Certificates

The Underlying Certificates that will comprise Series Trust Assets will be transferred to Fannie Mae pursuant to an agreement between Fannie Mae and the issuer of such Underlying Certificates, except as otherwise provided in the related Prospectus Supplement. Such Underlying Certificates will be identified in an Underlying Certificate Schedule appearing as an exhibit to the Trust Agreement for the related Series Trust. The Underlying Certificates will be registered in Fannie Mae's name, whether on the books of the relevant book-entry system or otherwise, and held for the Holders of Certificates by Fannie Mae in its capacity as Trustee of the related Series Trust and, to the extent described in the related Prospectus Supplement, subject to the reservation by Fannie Mae, in its corporate capacity, of certain rights of the Underlying Certificates.

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

Mortgage Loan Series Trust

As compensation for its activities and obligations under the Trust Agreement for a Mortgage Loan Series Trust, Fannie Mae will be entitled to retain amounts applicable to interest that are not required to be distributed to Certificateholders and holders of any Subordinate Classes. Unless otherwise provided in the related Prospectus Supplement, Fannie Mae is also entitled to retain Yield Maintenance Charges, Prepayment Premiums, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. Fannie Mae will compensate Lenders or other servicers in an amount up to, but never exceeding, the amount of interest retention described above, less a prescribed minimum amount to be retained by Fannie Mae for itself in consideration of its guaranty obligations and other responsibilities.

In addition, Fannie Mae is entitled to retain any amounts by which the proceeds of the liquidation of a Mortgage Loan exceed (i) the Stated Principal Balance of the Mortgage Loan and (ii) interest thereon at the Pass-Through Rate in the case of Fixed-Rate Mortgage Loans or the Accrual Rate in the case of ARM Mortgage Loans, unless the Prospectus Supplement otherwise provides. Fannie Mae will pay all servicing fees incurred by it in connection with its servicing activities, including, without limitation, the servicing fees payable to Lenders or other servicers, and, unless the related Prospectus Supplement otherwise provides, is not entitled to reimbursement therefor out of the Series Trust Assets.

MBS Series Trust

The servicing compensation payable to Fannie Mae in connection with its activities and obligations under an MBS Trust Indenture (as hereinafter defined) is identical to that for a Mortgage Loan Series Trust and is described under “—*Mortgage Loan Series Trust*” above.

Underlying Series Trust

The principal servicing compensation payable to the Underlying Servicer, and the application, and the use of certain proceeds of the Mortgage Loans backing the related Underlying Certificates to pay such compensation and other expenses of the Underlying Trust Fund (as hereinafter defined), will be set forth in the Underlying Pooling and Servicing Agreement and summarized in the related Prospectus Supplement.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae’s obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae’s guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement. See “Rights Upon Event of Default” below.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee, or agent of Fannie Mae will be under any liability to the Series Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement or for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not essential to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion, or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

Voting Under any MBS Trust Indenture

Each issue of MBS (each, an “MBS Issue”) will be issued pursuant to a Trust Indenture (each, an “MBS Trust Indenture”). The applicable MBS Trust Indenture will, as to each MBS Issue, be supplemented by an issue supplement (each, an “MBS Issue Supplement”), which will be prepared at the time of the creation of such MBS Issue. The MBS Issue Supplement will set forth the specific terms of the MBS Issue, such as the Pass-Through Rate applicable thereto in the case of Fixed-Rate Mortgage Pools and the issue date. The MBS Issue Supplement will also contain any variation from the basic MBS Trust Indenture applicable to a particular MBS Issue, any such variation also to be described in the MBS Prospectus. A trust created under a MBS Trust Indenture is herein called an “MBS Trust Fund.”

Unless the related Prospectus Supplement otherwise specifies, the Holders of MBS evidencing Fractional Undivided Interests aggregating not less than 25 percent of the related MBS Trust Fund may terminate certain obligations and duties of Fannie Mae with respect thereto if an Event of Default under the MBS Trust Indenture has occurred and is continuing. The Trust Agreement provides that Holders of Certificates may, upon the occurrence of an Event of Default with respect to a MBS in the related MBS Series Trust, take, or join in, any such action to the extent of the product of the Fractional Undivided Interest represented by such MBS and the percentage obtained by dividing the aggregate of the principal balances of all Certificates of the related Series the Holders of which have taken or joined in such action by the aggregate of the principal balances of all Certificates of such Series.

Unless the related Prospectus Supplement otherwise specifies, the Holders of MBS evidencing Fractional Undivided Interests aggregating not less than 66 percent of the related MBS Trust Fund may consent to certain amendments to the related MBS Trust Indenture or waivers thereunder. The Trust Agreement provides that the Trustee may not vote any MBS held in a MBS Series Trust in favor of such an amendment or modification except upon the direction of the Holders of Certificates of the related Series having principal balances aggregating not less than 66 percent of the aggregate of the principal balances of all Certificates of such Series.

Voting Under any Underlying Pooling and Servicing Agreement

The extent to which holders of Underlying Certificates will have the right to vote under the Underlying Pooling and Servicing Agreement pursuant to which such Certificates are issued, whether to terminate the Underlying Servicer of the trust fund (the “Underlying Trust Fund”) created thereby or with respect to any other material matter, will be summarized in the related Prospectus Supplement. In addition, the related Prospectus Supplement will summarize the extent to which the Trust Agreement will permit Fannie Mae, whether in its corporate capacity or as Trustee, or the Holders of Certificates, to exercise a voting right upon the occurrence of an event of default or other matter, or to take, or join in, any action to effect such termination or any other matter.

The extent to which holders of Underlying Certificates will be required to consent to certain amendments to the related Underlying Pooling and Servicing Agreement or waivers or certain other decisions thereunder and, if so, the percentages of such holders required therefor, will be summarized in the related Prospectus Supplement. Certain of the rights, if any, of Fannie Mae, whether in its corporate capacity or as Trustee, or of the Holders of Certificates, to vote the Underlying Certificates under the Underlying Pooling and Servicing Agreement will be set forth in the related Trust Agreement and summarized in the related Prospectus Supplement. In addition, to the extent that such Holders are entitled to such vote, the required percentage of such Holders to approve any such matter will be as described in the related Prospectus Supplement.

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates (other than Residual Certificates) representing principal balances (or notional principal balances) aggregating not less than five percent of the aggregate principal balances (or notional principal balances) of all of the Certificates of such Class or if no Certificates (other than Residual Certificates) shall be outstanding, not less than five percent of the aggregate principal balances of all of the certificates of any Subordinate Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates (other than Residual Certificates) of any Class representing principal balances (or notional principal balances) aggregating not less than 25 percent of the aggregate principal balances (or notional principal balances) of all of the Certificates of such Class or if no Certificates (other than the Residual Certificates) shall not be outstanding, not less than 25 percent of the aggregate principal balances of all of the certificates of any Subordinate Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement for any Series Trust remains unremedied, the Holders of Certificates of any Class (other than Residual Certificates) representing principal balances (or notional principal balances) aggregating not less than 25 percent of the aggregate of the principal balances (or notional principal balances) of all Certificates of such Class or, if no Certificates (other than Residual Certificates) are outstanding, not less than 25 percent of the aggregate principal balances of all of the certificates of any Subordinate Class may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement in respect of such Series Trust (other than its guaranty obligations described above, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder (other than Fannie Mae’s guaranty obligations) and to the legal title to the Mortgage Loans, the MBS or the Underlying Certificates and the other assets held in the Series Trust.

Amendment

The Trust Agreement as it relates to any Multifamily REMIC Trust may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders or the holders of any Subordinate Classes, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right reserved to or conferred upon Fannie Mae in its corporate capacity; (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided such provisions do not adversely affect the interest of any Certificateholder; or (v) to modify the Trust Agreement to maintain the qualification of each Multifamily REMIC Trust as a REMIC.

The Trust Agreement as it relates to a Multifamily REMIC Trust also may be amended by Fannie Mae with the consent of the Holders of Certificates of each Class representing principal balances (and notional principal balances) aggregating not less than 66 percent of the aggregate principal balances (and notional principal balances) of all Certificates of such Class (or, if no Certificates, other than Residual Certificates, are outstanding, the holders of certificates of each Subordinate Class aggregating not less than 66 percent of the aggregate principal balances of all certificates of such Subordinate Class) so as to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of all Certificateholders, terminate or modify the guaranty obligations of Fannie Mae or, without the consent of all Certificateholders and all holders of certificates of Subordinate Classes, reduce the percentages of the Certificates the Holders of which, or certificates of Subordinate Classes the holders of which, are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder or holder of any certificate of any Subordinate Class affected thereby, reduce in any manner the amount of, or delay the timing of, any distributions that are required to be made on any Certificate or certificate of any Subordinate Class, respectively, or, without the consent of all Holders of any residual interest in a Multifamily REMIC Trust, adversely affect the rights of the Holders of such residual interest. The voting rights, if any, of any holders of any Subordinate Classes of a Mortgage Loan Series Trust or Underlying Series Trust, with respect to the amendment of the Trust Agreement and/or any related Sale and Servicing Agreement or Pooling and Servicing Agreement, respectively, will be described in the related Prospectus Supplement.

Termination

Each Series Trust will terminate upon the distribution to Certificateholders of all required distributions of the principal of and interest on the Certificates and the distribution of all required principal of and interest on, or other retirement of, any Subordinate Classes. In addition, the related Prospectus Supplement will describe the terms and conditions of the right of Fannie Mae, any Lender or other servicer or other person, if any, to terminate any Mortgage Loan Series Trust by purchasing the Mortgage Loans, whether included therein or the right of Fannie Mae, if any, to terminate any other Series Trust by purchasing the Mortgage Loans backing MBS included therein, or Underlying Certificates included therein. Fannie Mae has agreed not to effect (i) directly an early termination of any Mortgage Loan Series Trust through its right to repurchase the Mortgage Loans therein, unless the principal balance of such Mortgage Pool or Mortgage Pools at the time of repurchase is less than a specified percentage (one percent; unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof or (ii) directly an early termination of any MBS Series Trust through the exercise of its right to repurchase the MBS in such MBS Series Trust, or indirectly an early termination of any MBS Series Trust through the exercise of its right, as described in “Description of Certificates—Termination” in the MBS Prospectus, to repurchase the Mortgage Loans underlying any MBS in the MBS Series Trust, in each case unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent; unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof.

Unless a Prospectus Supplement provides otherwise, Fannie Mae will not have a right to purchase any Mortgage Loans underlying Underlying Certificates included in a Series Trust. The rights, if any, of Fannie Mae to purchase any Underlying Certificates in a Series Trust will be summarized in the related Prospectus Supplement. In addition, the related Prospectus Supplement will contain a summary of the rights, if any, of the Underlying Servicer or any other person under the Underlying Pooling and Servicing Agreement to purchase the Mortgage Loans backing the Underlying Certificates.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a general discussion of the material anticipated federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates offered hereby. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below does not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

The Regulations provide some guidance regarding the federal income tax consequences associated with the purchase, ownership and disposition of the Certificates. Generally, the Regulations apply to any REMIC the “settlement date” of which is on or after November 12, 1991. While certain material provisions of the Regulations are discussed below, investors should consult their own tax advisors regarding the possible application of the Regulations in their specific circumstances.

REMIC Election

An election will be made to treat the Series Trust as one or more REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. With respect to each Series of Certificates, Dewey Ballantine, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that (unless otherwise limited in the related Prospectus Supplement), assuming compliance with the Trust Agreement, each Multifamily REMIC Trust will be treated as a REMIC for federal income tax purposes. The Certificates of each Class and any Subordinate Classes will be designated as “regular interests” in a Multifamily REMIC Trust, except that a separate Class will be designated as the “residual interest” in each Multifamily REMIC Trust. The Prospectus Supplement for each Series of Certificates will state whether Certificates of each Class will constitute a regular interest (a “Regular Certificate”) or a residual interest (a “Residual Certificate”).

A Multifamily REMIC Trust will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. See “Taxes on a Multifamily REMIC Trust” below. Generally, the total income of a Mortgage Pool, MBS, or Underlying Certificate (collectively the “Underlying Collateral”) in a Series Trust will be taxable to the beneficial owners of the Certificates of that Series, as described below.

Taxation of Beneficial Owners of Regular Certificates

Except as indicated below in this federal income tax discussion, the Regular Certificates will be treated for federal income tax purposes as debt instruments issued by a REMIC on the date such Certificates are first sold to the public (the “Settlement Date”) and not as ownership interests in a REMIC or its assets. Beneficial owners of Regular Certificates (“Regular Owners”) that otherwise report income under a cash method of accounting will be required to report income with respect to such Certificates under an accrual method.

Original Issue Discount

All the Accrual Classes, Notional Classes and Principal Only Classes will be, and certain other Regular Certificates may be, issued with “original issue discount” within the meaning of section 1273(a) of the Code. Regular Owners should be aware that for federal income tax purposes they must include in gross income original issue discount as it accrues under a method that takes account of the compounding of interest, generally in advance of receipt of the cash attributable to such income. Fannie Mae will supply, at the time and in the manner required by the Internal Revenue Service (the “IRS”), to Holders of Regular Certificates, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates.

In general, a Regular Certificate will be considered to be issued with original issue discount equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period between the beginning of the first Interest Accrual Period and the Settlement Date. The stated redemption price at maturity of a Regular Certificate that is a Notional or Principal Only Certificate or that is or may be an Accrual Certificate is equal to the sum of all distributions to be made under such Regular Certificate.

The stated redemption price at maturity of any other Regular Certificate is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date.

Notwithstanding the general definition, original issue discount will be treated as zero in the case of a Regular Certificate if such discount is less than 0.25 percent of the stated redemption price at maturity of such Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans supporting the Underlying Collateral prepay at the rate specified in the related Prospectus Supplement (the "Prepayment Assumption") by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate's stated redemption price at maturity. If original issue discount is treated as zero under this rule, the actual amount of original issue discount must be allocated to the principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Section 1272(a)(6) of the Code contains special original issue discount rules applicable to the Regular Certificates. Under these rules, (i) it is anticipated that the amount and rate of accrual of original issue discount on each Series of Regular Certificates will be based on (x) the Prepayment Assumption, and (y) in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which such variable rate is based remains the same over the entire life of such Certificate, and (ii) adjustments will be made in the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the Prepayment Assumption.

Section 1272(a)(6)(B)(iii) of the Code requires that the prepayment assumption used to calculate original issue discount be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae anticipates that the Prepayment Assumption for each Series of Regular Certificates will be consistent with this standard. Fannie Mae makes no representation, however, that the Mortgage Loans supporting the Underlying Collateral for a given Series will prepay at the rate reflected in the Prepayment Assumption for that Series or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates.

Each Regular Owner must include in gross income the sum of the "daily portions" of original issue discount on its Regular Certificate for each day during its taxable year on which it held such Certificate. For this purpose, in the case of an original Regular Owner, the daily portions of original issue discount will be determined as follows. A calculation will first be made of the portion of the original issue discount that accrued during each "accrual period." Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with original issue discount (the "OID Regulations") provide that for purposes of measuring the accrual of original issue discount on a debt instrument, each Regular Owner may use an accrual period of any length, up to one year, as long as each Distribution Date falls on either the final day or the first day of an accrual period. Unless otherwise disclosed in the related Prospectus Supplement, Fannie Mae will report original issue discount based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of original issue discount treated as accruing for any accrual period will equal the excess, if any, of (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on such Certificate during the accrual period of amounts included in the stated redemption price at maturity, over (ii) the adjusted issue price of such Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated based on (i) the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period, (iii) the Prepayment Assumption, and (iv) in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which such variable rate is based remains the same as its value on the Settlement Date over the entire life of such Certificate. The adjusted issue price of a Regular Certificate at any time will equal the issue price of such Certificate, increased by the aggregate amount of previously accrued original issue discount with respect to such Certificate, and reduced by the amount of any distributions made on such Certificate as of that time of amounts

included in the stated redemption price at maturity. The original issue discount accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of original issue discount.

If the method of computing OID would result in a negative accrual of income in a particular period, the amount of income accrued in such period will be treated as zero, and the net negative adjustment will be carried forward to offset positive income accruals in later periods. Net negative adjustments not offset against subsequent positive income accruals should give rise to a loss no later than the disposition or retirement of the Regular Certificate giving rise to them. Any such loss might be treated as a capital loss.

A subsequent purchaser of a Regular Certificate that purchases such Certificate at a cost less than its remaining stated redemption price at maturity also will be required to include in gross income for each day on which it holds such Certificate, the daily portion of original issue discount with respect to such Certificate (but reduced, if the cost of such Certificate to such purchaser exceeds its adjusted issue price, by an amount equal to the product of (i) such daily portion and (ii) a constant fraction, the numerator of which is such excess and the denominator of which is the sum of the daily portions of original issue discount on such Certificate for all days on or after the day of purchase).

Under the OID Regulations, if all the regular interests of a Multifamily REMIC Trust are issued to another Multifamily REMIC Trust, such regular interests will be treated as a single debt instrument because they were issued to a single holder in a single transaction. Consequently, Fannie Mae will calculate the taxable income (or net loss) of each Multifamily REMIC Trust (and report to Holders of Residual Certificates) by treating all such regular interests as a single debt instrument.

Floating Rate and Inverse Floating Rate Classes

The OID Regulations define and provide special rules applicable to variable rate debt instruments (“VRDIs”). Most Floating Rate and Inverse Floating Rate Classes will be VRDIs under the OID Regulations. To be a VRDI, a Regular Certificate generally must satisfy three requirements. First, the issue price (including accrued interest) must not exceed the total noncontingent principal payments by more than (i) 1.5 percent of the product of the total noncontingent principal payments and the weighted average life, or (ii) 15 percent of the total noncontingent principal payments, whichever is smaller. Second, the Regular Certificate must bear interest at a “qualified floating rate” or an “objective rate,” or certain combinations of such rates and possibly a fixed rate. Third, under the terms of the Regular Certificate, the qualified floating rate or objective rate must be based on a current value of the applicable interest index. An interest index or an interest index plus or minus a fixed rate generally is a qualified floating rate. A floating or inverse floating rate equal to a positive or negative multiple of an interest index plus or minus a fixed rate is an objective rate and may be a qualified floating rate.

Regular Certificates that do not meet all three requirements may be considered to be contingent debt instruments rather than VRDIs. The OID Regulations do not contain rules for the tax treatment of contingent debt instruments and no other definitive guidance has been issued regarding the treatment of such instruments. Proposed regulations governing contingent debt instruments were published in the Federal Register on December 16, 1994 (the “Proposed Contingent Payment Regulations”). The Proposed Contingent Payment Regulations, however, provide that they do not apply to REMIC regular interests, are not binding on either taxpayers or the IRS and are subject to change before publication in final form. In the absence of further guidance and unless otherwise stated in the applicable Prospectus Supplement, Fannie Mae will compute accruals of interest and original issue discount on all Floating Rate and Inverse Floating Rate Classes by applying the principles of the OID Regulations applicable to VRDIs.

The OID Regulations contain specific rules for debt instruments bearing interest initially at a fixed rate and subsequently at a variable rate. If the fixed rate is in effect for less than one year and is intended to approximate the value of the variable rate that follows it, then the fixed rate and variable rate together will constitute a single qualified floating rate or objective rate. If the values of the fixed rate and the variable rate are within 25 basis points on the Settlement Date, it is conclusively presumed that the two rates constitute a single qualified floating rate or objective rate.

If a VRDI bears interest at a fixed rate for a year or more, the OID Regulations treat all payments of interest on such VRDI as “qualified stated interest” provided that the fair market value of the VRDI is approximately the same as it would be if the variable rate were in effect during all Interest Accrual Periods. Although this rule would not be literally applicable to certain Regular Certificates that bear interest initially at a fixed rate followed by interest at an objective rate, in the absence of further guidance, Fannie Mae intends to apply the principles of this

rule to all Floating Rate and Inverse Floating Rate Classes that bear interest at a fixed rate for an initial period of one year or more or that bear interest at a fixed rate for a period of less than one year but for which there is a difference of more than 25 basis points between the values of the fixed and variable rates on the Settlement Date. Investors are urged to consult their own tax advisors regarding the possible tax treatment of such Classes.

Certificates Purchased at a Premium

A purchaser of a Regular Certificate that purchases such Certificate at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such Certificate (a “Premium Certificate”) at a premium. Such a purchaser need not include in income any remaining original issue discount and may elect, under section 171(c)(2) of the Code, to treat such premium as “amortizable bond premium.” If a Regular Owner makes such an election, the amount of any interest payment that must be included in such Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period based on the Premium Certificate’s yield to maturity. The legislative history of the Tax Reform Act of 1986 states that such premium amortization should be made under principles analogous to those governing the accrual of market discount (as discussed below under “—Market Discount”). If such election is made by the Regular Owner, the election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all such fully taxable bonds thereafter acquired by it, and is irrevocable without the consent of the IRS. If such an election is not made, (i) such a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each such distribution is received, a loss equal to the premium allocated to such distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Some Regular Certificates may provide for only nominal distributions of principal in comparison to the distributions of interest thereon. It is possible that the IRS or the Treasury Department may issue guidance excluding such Certificates from the rules generally applicable to debt instruments issued at a premium. In particular, it is possible that such a REMIC interest will be treated as having original issue discount equal to the excess of the total payments to be received thereon over its issue price. In such event, section 1272(a)(6) of the Code would govern the accrual of such original issue discount, but a Regular Owner would recognize substantially the same income in any given period as would be recognized if an election were made under section 171(c)(2) of the Code. Unless and until the Treasury Department or the IRS publishes specific guidance relating to the tax treatment of such Certificates, Fannie Mae intends to furnish tax information to Holders of such Certificates in accordance with the rules described in the preceding paragraph.

Market Discount

A Regular Owner that purchases a Regular Certificate at a market discount, that is, at a purchase price less than the remaining stated redemption price at maturity of such Certificate, or in the case of a Regular Certificate issued with original issue discount, less than the adjusted issue price of such Certificate, will be required to allocate each principal distribution first to accrued market discount on the Regular Certificate, and recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount on such Certificate that was not previously included in income. With respect to Regular Certificates that have unaccrued original issue discount, such market discount must be included in income in addition to original issue discount includible under the rules described above under “—Original Issue Discount.” A Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may also be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income. In general terms, market discount on a Regular Certificate may be treated as accruing either (i) under a constant yield method, taking into account the Prepayment Assumption, or (ii) in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest on the Regular Certificate. Fannie Mae will make available, as required by the IRS, to Holders of Regular Certificates information necessary to compute the accrual of market discount.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if such discount is less than 0.25 percent of the remaining stated redemption price at maturity of such Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments)

prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Special Election

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

Taxation of Beneficial Owners of Residual Certificates

Daily Portions

Except as indicated below, a beneficial owner of a Residual Certificate (“Residual Owner”) for a given Multifamily REMIC Trust generally will be required to report its daily portion of the taxable income or net loss of the Multifamily REMIC Trust for each day during a calendar quarter that the Residual Owner owned such Residual Certificate. For this purpose, the daily portion shall be determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the Multifamily REMIC Trust for such quarter and by allocating the amount so allocated among the Residual Owners (on such day) in accordance with their percentage interests on such day. Any amount included in the gross income or allowed as a loss of any Residual Owner by virtue of this paragraph will be treated as ordinary income or loss.

The requirement that each Residual Owner report its daily portion of the taxable income or net loss of the Multifamily REMIC Trust will continue until there are no Certificates of any Class outstanding, even though the Residual Owner may have received full payment of the stated interest and principal on its Residual Certificate.

Taxable Income or Net Loss of a Multifamily REMIC Trust

The taxable income or net loss of a Multifamily REMIC Trust will be the income from the “qualified mortgages” it holds and any reinvestment earnings less deductions allowed to the Multifamily REMIC Trust. Such taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with certain modifications. The first modification is that a deduction will be allowed for accruals of interest (including any original issue discount, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the Residual Certificates), even though Regular Certificates are for non-tax purposes certificates of beneficial ownership rather than indebtedness of a Multifamily REMIC Trust. Second, market discount or premium equal to the difference between the total Stated Principal Balances of the qualified mortgages and the basis to the Multifamily REMIC Trust therein generally will be included in income (in the case of discount) or deductible (in the case of premium) by the Multifamily REMIC Trust as it accrues under a constant yield method, taking into account the Prepayment Assumption. The basis to a Multifamily REMIC Trust in qualified mortgages is the aggregate of the issue prices of all the Regular and Residual Certificates in the Multifamily REMIC Trust on the Settlement Date. If, however, a substantial amount of a Class of Regular or Residual Certificates has not been sold to the public, then the fair market value of all the Regular or Residual Certificates in that Class as of the date of the Prospectus Supplement should be substituted for the issue price. Third, no item of income, gain, loss or deduction allocable to a prohibited transaction (see “Taxes on a Multifamily REMIC Trust—*Prohibited Transactions*” below) will be taken into account. Fourth, a Multifamily REMIC Trust generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code. Finally, the limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the Multifamily REMIC Trust level to Fannie Mae’s servicing and guaranty fees. (See, however, “—*Treatment of Servicing and Guaranty Fees by Certain Investors*” below.) In addition, under the Regulations, any expenses that are incurred in connection with the formation of a Multifamily REMIC Trust and the issuance of the Regular and Residual Certificates are not treated as expenses of the Multifamily REMIC Trust for which a deduction is allowed. If the deductions allowed to a Multifamily REMIC Trust exceed its gross income for a calendar quarter, such excess will be a net

loss for the Multifamily REMIC Trust for that calendar quarter. The Regulations also provide that any gain or loss to a Multifamily REMIC Trust from the disposition of any asset, including a qualified mortgage or “permitted investment” (as defined in section 860G(a)(5) of the Code) will be treated as ordinary gain or loss.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if the qualified mortgages are considered to be purchased by the Multifamily REMIC Trust at a discount, some or all of the Regular Certificates are issued at a discount, and the discount included as a result of a prepayment on a Mortgage Loan that is used to pay principal on the Regular Certificates exceeds the Multifamily REMIC Trust’s deduction for unaccrued original issue discount relating to such Regular Certificates. Taxable income may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the Regular Certificates, may increase over time as the earlier Classes of Regular Certificates are paid, whereas interest income with respect to any given Mortgage Loan supporting the Underlying Collateral, expressed as a percentage of the outstanding principal amount of that Mortgage Loan, will remain constant over time.

If the settlement date of a Multifamily REMIC Trust is on or after April 4, 1994, and the qualified mortgages of such Multifamily REMIC Trust include Regular Certificates from two or more different Multifamily REMIC Trusts, an election will be made to have such REMIC Trust include in gross income all interest that accrues on such Regular Certificates by using a constant yield method. See “Taxation of Beneficial Owners of Regular Certificates—*Special Election*” above.

Basis Rules and Distributions

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

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

Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the “daily accruals” for each day during such quarter that such Residual Certificate was held by such Residual Owner. The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the “adjusted issue price” of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the “Federal long-term rate” in effect on the Settlement Date, based on quarterly compounding, and properly adjusted for the length of such quarter. For this purpose, the adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to such Residual Certificate before the beginning of such quarter. The issue price of a Residual Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years, computed and published monthly by the IRS. With respect to each Series of Certificates, if the Federal long-term rate based on quarterly compounding that will be in effect on the Settlement Date is available as of the date of the related Prospectus Supplement, 120 percent of such rate will be set forth therein.

For Residual Owners that are thrift institutions described in section 593 of the Code, income from a Residual Certificate generally may be offset by losses from other activities. Under the Regulations, such an organization is treated as having applied its allowable deductions for the year first to offset income that is not an excess inclusion and then to offset that portion of its income that is an excess inclusion. For other Residual Owners, any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on

unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of such Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. The Regulations indicate that if a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see “Foreign Investors—*Residual Certificates*” below.

The Regulations provide that an organization to which section 593 of the Code applies and which is the beneficial owner of a Residual Certificate may not use its allowable deductions to offset any excess inclusions with respect to such Certificate if such Certificate does not have “significant value.” For this purpose, a Residual Certificate has significant value under the Regulations if (i) its issue price is at least 2% of the aggregate of the issue prices of all the Regular and Residual Certificates in that Multifamily REMIC Trust and (ii) its “anticipated weighted average life” is at least 20% of the “anticipated weighted average life” of such Multifamily REMIC Trust.

In determining whether a Residual Certificate has significant value, the anticipated weighted average life of such Certificate is based on the Prepayment Assumption and is determined as described in “Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates” herein, except that all anticipated payments on such Certificate are taken into account, regardless of their designation as principal or interest. The anticipated weighted average life of a Multifamily REMIC Trust is the weighted average of the anticipated weighted average lives of the Certificates. Such weighted average is determined under the formula described in “Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates” herein, with two distinctions. First, the formula is applied by treating all payments taken into account in computing the anticipated weighted average lives of the Regular and Residual Certificates in the REMIC Trust as principal payments on a single Regular Certificate. Second, for any Residual Certificate or for a Regular Certificate that is an Interest Only Class or for which the issue price of the Regular Certificate is greater than 125% of its specified principal amount, all anticipated payments on that Residual or Regular Certificate, regardless of their designation as principal or interest, are taken into account in computing the anticipated weighted average life of the Certificate.

The Treasury Department also has the authority to issue regulations that would treat all taxable income of a Multifamily REMIC Trust as excess inclusions if the Residual Certificate does not have “significant value.” Although the Treasury Department did not exercise this authority in the Regulations, future regulations may contain such a rule. If such a rule were adopted, it is unclear whether the test for significant value that is contained in the Regulations and discussed in the two preceding paragraphs would be applicable. If no such rule is applicable, excess inclusions should be calculated as discussed above.

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

Modifications, Waivers and Amendments

The Trust Agreement for a Multifamily REMIC Trust that is a Mortgage Loan Series Trust may permit Fannie Mae, subject to certain limitations described in the applicable Prospectus Supplement, to agree to any modification, waiver or amendment (each, a “Modification”) of any term of any Mortgage Loan. On December 1, 1992, the IRS issued proposed regulations under section 1001 of the Code governing modifications of debt instruments (the “Section 1001 Proposed Regulations”). Under the Section 1001 Proposed Regulations, a “significant modification” of a debt instrument is deemed to result in an exchange of the original debt instrument for a modified debt instrument that is materially different. The holder of such a modified debt instrument would be required to recognize gain or loss on the deemed exchange. If any Modification of a Mortgage Loan constitutes a “significant modification” under the Section 1001 Proposed Regulations, gain or loss on the resulting deemed exchange will be determined and taken into account in computing the taxable income or net loss of the Multifamily REMIC Trust.

Treatment of Servicing and Guaranty Fees by Certain Investors

Residual Owners that are (i) estates and trusts, and (ii) individuals owning an interest in a Certificate directly or through an investment in a “pass-through entity” are required to include in income a share of Fannie Mae’s servicing and guaranty fees. Such fees would include any servicing and guaranty fees imposed at the Underlying Collateral level. See “Description of Certificates—Servicing Through Lenders” and “Certain Federal Income Tax Consequences” in the MBS Prospectus. The deduction for such a Residual Owner’s share of such fees is limited under section 67 of the Code. Generally, such a deduction, when aggregated with certain of the Residual Owner’s other miscellaneous itemized deductions, is allowable only to the extent that such aggregate amount exceeds 2 percent of the Residual Owner’s adjusted gross income.

In addition, a Residual Owner may not be able to deduct any portion of such fees in computing such Residual Owner’s alternative minimum tax liability. A Residual Owner’s share of such fees will generally be determined by (i) allocating the amount of such expenses for each calendar quarter on a pro rata basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Owners in proportion to their respective holdings on such day.

Special Tax Attributes

Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code, “qualifying real property loans” within the meaning of section 593(d) of the Code and “real estate assets” within the meaning of section 856(c)(5)(A) of the Code. If at any time during a calendar year less than 95 percent of the assets of a Multifamily REMIC Trust consist of qualified mortgages, then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during such calendar year may be limited to the portion of the assets of such Multifamily REMIC Trust that are qualified mortgages. Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, a Multifamily REMIC Trust should be treated as owning the assets represented by the qualified mortgages. The assets of the Series Trust will include, in addition to the Underlying Collateral representing Mortgage Loans, payments on the Underlying Collateral held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon. Regular and Residual Certificates held by a financial institution to which section 585, 586 or 593 of the Code applies will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be “qualified mortgages” within the meaning of section 860G(a)(3) of the Code with respect to other REMICs.

Taxes on a Multifamily REMIC Trust

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from “prohibited transactions.” In general, a prohibited transaction means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a Mortgage Loan or certain other permitted investments, the receipt of compensation for services, or the disposition of an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the regular and residual interests.

Contributions to a REMIC after the Startup Day

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

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such for a period of two years, with

possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust.

Application to a Multifamily REMIC Trust

It is not anticipated that a Multifamily REMIC Trust will engage in any transactions that will give rise to a tax on the Multifamily REMIC Trust. In any event, pursuant to its guaranty obligations, Fannie Mae will make distributions on the Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on the Multifamily REMIC Trust.

Sales of Certificates

In General

Except as provided below, if a Regular or Residual Certificate is sold, the seller will recognize gain or loss equal to the difference between the amount realized in the sale and its adjusted basis in the Certificate. The adjusted basis of a Regular Certificate generally will equal the cost of such Certificate to the seller, increased by any original issue discount or market discount included in the seller's gross income with respect to such Certificate and reduced by distributions on such Certificate previously received by the seller of amounts included in the stated redemption price at maturity and by any premium that has reduced the seller's interest income with respect to such Certificate. The adjusted basis of a Residual Certificate is determined as described above under "Taxation of Beneficial Owners of Residual Certificates—*Basis Rules and Distributions.*" Except as provided in the following paragraph or under section 582(c) of the Code, any such gain or loss will be capital gain or loss, provided such Certificate is held as a "capital asset" (generally, property held for investment) within the meaning of section 1221 of the Code.

Gain from the sale of a Regular Certificate that might otherwise be capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110 percent of the "applicable Federal rate" (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in such Regular Owner's income. In addition, gain recognized on such a sale by a Regular Owner who purchased a Regular Certificate at a market discount would also be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Certificate was held by such Regular Owner, reduced by any market discount includible in income under the rules described above under "Taxation of Beneficial Owners of Regular Certificates—*Market Discount.*"

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

Residual Certificates Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee's agent, payable by that agent) upon any transfer of a Residual Certificate to a disqualified organization and upon a pass-through entity (including regulated investment companies, real estate investment trusts, common trust funds, partnerships, trusts, estates, certain cooperatives, and nominees) that owns a Residual Certificate if such pass-through entity has a disqualified organization as a record holder. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term "disqualified organization" is defined above under "Description of the Certificates—*Additional Characteristics of Residual Certificates.*"

A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of such tax liability if (i) the transferee furnishes to the transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer. Similarly, no such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified

organization if (i) the record holder of such interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, and (ii) during such period, the pass-through entity has no actual knowledge that the affidavit is false.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of a Multifamily REMIC Trust by virtue of the final payment or liquidation of the last Mortgage Loan supporting the Underlying Collateral remaining in the Series Trust. If a Residual Owner's adjusted basis in its Residual Certificate at the time such termination occurs exceeds the amount of cash distributed to such Residual Owner in liquidation of its interest, then, although the matter is not entirely free from doubt, it would appear that the Residual Owner is entitled to a loss equal to the amount of such excess.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, each Multifamily REMIC Trust will be treated as a partnership and the Residual Owners will be treated as partners. Fannie Mae will prepare, sign and file federal income tax returns for each Multifamily REMIC Trust, which returns are subject to audit by the IRS. Moreover, within a reasonable time after the end of each calendar year, Fannie Mae will furnish to each Holder that received a distribution during such year a statement setting forth the portions of any such distributions that constitute interest distributions, original issue discount, and such other information as is required by Treasury regulations and, with respect to Holders of Residual Certificates in a Multifamily REMIC Trust, information necessary to compute the daily portions of the taxable income (or net loss) of such Multifamily REMIC Trust for each day during such year. Fannie Mae will also act as the tax matters partner for each Multifamily REMIC Trust, either in its capacity as an Owner of a Residual Certificate or in a fiduciary capacity. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that Fannie Mae will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Each Residual Owner is required to treat items on its return consistently with the treatment on the return of the Multifamily REMIC Trust, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the Multifamily REMIC Trust. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the Multifamily REMIC Trust level. Unless otherwise specified in the related Prospectus Supplement, Fannie Mae does not intend to register any Multifamily REMIC Trust as a tax shelter pursuant to section 6111 of the Code.

Backup Withholding

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

Foreign Investors

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is not a U.S. Person (a "Non-U.S. Person") generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that such Regular Owner is a Non-U.S. Person, and provides the name and address of such Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives such statement from such Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that such statement is false. Regular Owners should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code.

Residual Certificates

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

LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates of a Series. Any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Certificates of a Series. Financial institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any Certificate. Investors should consult their own legal advisors in determining whether and to what extent the Certificates of a Series constitute legal investments or are subject to restrictions on investment.

LEGAL OPINION

Any purchaser of Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the Code impose certain requirements on employee benefit plans and certain other retirement plans and arrangements, as well as on collective investment funds and separate accounts in which such plans or arrangements are invested (all of which are hereinafter referred to as a “Plan”) and on persons who are fiduciaries with respect to such Plans. Any Plan fiduciary which proposes to cause a Plan to acquire any Certificates of a Series would be required to determine whether such an investment is permitted under the governing Plan instruments and is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio. In addition, ERISA and the Code prohibit certain transactions involving the assets of a Plan and “disqualified persons” (within the meaning of the Code) and “parties in interest” (within the meaning of ERISA) who have certain specified relationships to the Plan. Therefore, a Plan fiduciary considering an investment in Certificates of a Series should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or the Code.

The United States Department of Labor (“Labor”) issued a final regulation on November 13, 1986, which provides that in the case where a Plan acquires a “guaranteed governmental mortgage pool certificate” then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code, the Plan’s assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the Plan’s holding of such certificate, include any of the mortgages underlying such certificate. Under the Regulation, the term “guaranteed governmental mortgage pool certificate” is specifically defined to include a certificate “backed by, or evidencing an interest in specified mortgages or participation interests therein” and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Fannie Mae. The effect of the Regulation is to make clear that the sponsor (that is, the entity that organizes and services the trust, in this case Fannie Mae), the trustee, and other persons, in providing services with respect to the assets in the trust, would not be subject to the fiduciary responsibility

provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of section 4975 of the Code, merely by reason of the Plan's investment in a certificate. At the time the Regulation was originally issued, certificates similar to the Certificates were not in existence. However, Fannie Mae has been advised by its counsel, Mayer, Brown & Platt, that the Certificates qualify as "guaranteed governmental mortgage pool certificates," and thus the acquisition and holding of the Certificates by Plans should not be prohibited either by ERISA or related provisions of the Code.

GLOSSARY

Accretion Directed Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 21.

Accrual Class: As defined herein under “Description of the Certificates—General” on page 19.

Accrual Rate: As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

Adjusted WAM: The WAM of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates backed by MBS at the issue date of the related MBS, less the number of months elapsed from such issue date through the Certificate Issue Date for such Series of Certificates.

ARM Mortgage Loans: As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

ARM Mortgage Pool: As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

Balloon Mortgage Loans: As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

CAGE: The weighted average calculated loan age of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates backed by MBS. The CAGE of such Mortgage Loans will be determined by subtracting the original WAM for such Mortgage Pool from the original term to maturity (in months) of such Mortgage Loans, and adding thereto the number of months elapsed since the issue date of the related MBS.

Certificate Issue Date: As defined herein under “Summary of Prospectus—Principal Distributions on Certificates” on page 4.

Certificateholders: As defined herein under “Summary of Prospectus—Certificate Form” on page 7.

Certificates: As defined herein on the Prospectus cover page.

Code: As defined herein under “Description of the Certificates—Reports to Certificateholders—*Mortgage Loan Series Trust*” on page 27.

Conventional Mortgage Loans: As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

CPR: As defined herein under “Maturity and Prepayment Considerations and Risks—Other Considerations” on page 16.

Deposit Period: As defined herein under “Summary of Prospectus—Principal Distributions on Certificates” on page 4.

Distribution Date: As defined herein under “Summary of Prospectus—Interest Distributions on Certificates” on page 4.

Due Period: As defined herein under “Summary of Prospectus—Principal Distributions on Certificates” on page 4.

ERISA: As defined herein under “ERISA Considerations” on page 45.

Excess Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Fannie Mae: As defined herein on the Prospectus cover page.

FDIC: As defined herein under “Purchase Program—Lender Eligibility” on page 18.

FHA: As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

FHA Mortgage Loans: As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

Final Distribution Date: As defined herein under “Summary of Prospectus—Final Distribution Date” on page 4.

Fixed Rate Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Fixed-Rate Mortgage Loans: As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

Fixed-Rate Mortgage Pool: As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

Floating Rate Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Fractional Undivided Interest: The fractional undivided interest in the related MBS Trust Fund that is evidenced by a MBS, such fractional undivided interest being equal (i) in the case of a definitive MBS, to the initial principal balance set forth on the face of such MBS, divided by the aggregate Stated Principal Balance of the Mortgage Loans in the Mortgage Pool on the issue date of such MBS and (ii) in the case of a book-entry MBS, to the fractional undivided interest in the underlying Mortgage Pool entered in the name of the holder in, or derived from, the records of the appropriate Federal Reserve Bank.

Guide: As defined herein under “Purchase Program—Mortgage Loan Eligibility” on page 18.

Holders: As defined herein under “Summary of Prospectus—Certificate Form” on page 7.

Index Allocation Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Index Determination Date: Unless otherwise specified in the related Prospectus Supplement, the second business day preceding the first day of each Interest Accrual Period (other than the initial Interest Accrual Period) for the related Class or Classes of Certificates. Unless otherwise specified in the related Prospectus Supplement, “business day” means any day other than a Saturday or Sunday and other than any day on which either of the Federal Reserve Bank of New York or Boston authorizes banking institutions in the Second or First Federal Reserve District, respectively, to be closed; provided that for purposes of calculating LIBOR, “business day” means a day on which banks are open for dealing in foreign currency and exchange in London, Boston and New York City.

Interest Accrual Period: As defined herein under “Summary of Prospectus—Interest Distributions on Certificates” on page 4.

Interest Only Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Inverse Floating Rate Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

IRS: As defined herein under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” on page 35.

Labor: As defined herein under “ERISA Considerations” on page 45.

Lenders: As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

Liquid Asset Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Margin: As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

MBS: As defined herein on the Prospectus cover page.

MBS Issue: As defined herein under “Description of the Certificates—Voting Under any MBS Trust Indenture” on page 32.

MBS Issue Supplement: As defined herein under “Description of the Certificates—Voting Under any MBS Trust Indenture” on page 32.

MBS Pass-Through Rate: As defined herein under “Description of the Certificates—The MBS and Underlying Certificates” on page 21.

MBS Pool Accrual Rate: As defined herein under “Description of the Certificates—The MBS and Underlying Certificates” on page 21.

MBS Prospectus: As defined herein on the Prospectus cover page.

MBS Series Trust: As defined herein on the Prospectus cover page.

MBS Trust Fund: As defined herein under “Description of the Certificates—Voting Under any MBS Trust Indenture” on page 32.

MBS Trust Indenture: As defined herein under “Description of the Certificates—Voting Under any MBS Trust Indenture” on page 32.

Monthly ARMs Report: As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

Mortgage: As defined herein under “Purchase Program—Mortgage Loan Eligibility” on page 18.

Mortgage Interest Rates: As defined herein under “Yield Considerations—Fixed-Rate Mortgage Pools” on page 11.

Mortgage Loans: As defined herein on the Prospectus cover page.

Mortgage Loan Series Trust: As defined herein on the Prospectus cover page.

Mortgage Margin: As defined herein under “Yield Considerations—ARM Mortgage Pools—*General Characteristics*” on page 12.

Mortgage Notes: As defined herein under “Purchase Program—Mortgage Loan Eligibility” on page 18.

Mortgage Pool: As defined herein on the Prospectus cover page.

Mortgaged Properties: As defined herein under “Summary of Prospectus—The Series Trust Assets” on page 3.

Multifamily Program: As defined herein under “Purchase Program” on page 18.

Multifamily REMIC Trust: As defined herein on the Prospectus cover page.

NCUA: As defined herein under “Purchase Program—Lender Eligibility” on page 18.

Non-Sticky Jump Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 21.

Non-U.S. Person: As defined herein under “Certain Federal Income Tax Consequences—Foreign Investors—*Regular Certificates*” on page 44.

Notional Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 21.

PAC Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Partial Accrual Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Pass-Through Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Pass-Through Rate: The interest rate borne by Mortgage Loans backing Certificates, MBS or Underlying Certificates less a fixed percentage attributable to a servicing fee and, as applicable, the Fannie Mae fees, including its guaranty fee.

Plan: As defined herein under “ERISA Considerations” on page 45.

Pool Accrual Rate: As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

Premium Certificate: As defined herein under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” on page 38.

Prepayment Assumption: As defined herein under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” on page 36.

Prepayment Premium: As defined under “Summary of Prospectus—Fannie Mae Guaranty” on page 5.

Principal Only Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 21.

Regular Certificate: As defined herein under “Certain Federal Income Tax Consequences—REMIC Election” on page 35.

Regular Owners: As defined herein under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” on page 35.

Regulations: As defined herein under “Description of the Certificates—Additional Characteristics of Residual Certificates” on page 29.

REMICs: As defined herein on the Prospectus cover page.

Residual Certificate: As defined herein under “Description of the Certificates—Additional Characteristics of Residual Certificates” on page 29.

Residual Owner: As defined herein under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Daily Portions*” on page 39.

Retail Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 24.

Sale and Servicing Agreement: As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

Scheduled Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Sequential Pay Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Series: As defined herein on the Prospectus cover page.

Series Supplement: As defined herein under “Description of the Certificates—General” on page 19.

Series Trust: As defined herein on the Prospectus cover page.

Series Trust Assets: As defined herein on the Prospectus cover page.

Settlement Date: As defined herein under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” on page 35.

Stated Principal Balance: As defined herein under “Description of the Certificates—Payments on Series Trust Assets; Deposits in the Trust Account—*Mortgage Loan Series Trust*” on page 25.

Sticky Jump Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Strip Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Subordinate Classes: As defined herein on the Prospectus cover page.

Support (or Companion) Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

TAC Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 22.

Treasury Index Determination Date: Unless otherwise specified in the related Prospectus Supplement, the second business day preceding the first day of each Interest Accrual Period (other than the initial Interest Accrual Period) for the related Class or Classes of Certificates.

Trust Account: As defined herein under “Summary of Prospectus—Trust Account” on page 7.

Trust Agreement: As defined herein under “Summary of Prospectus—The Certificates” on page 3.

Underlying Certificates: As defined herein on the Prospectus cover page.

Underlying Collateral: As defined herein under “Certain Federal Income Tax Consequences—REMIC Election” on page 35.

Underlying Pooling and Servicing Agreement: As defined herein under “Summary of Prospectus—Servicing” on page 6.

Underlying Series Trust: As defined herein on the Prospectus cover page.

Underlying Servicer: As defined herein under “Summary of Prospectus—Servicing” on page 6.

Underlying Trust Fund: As defined herein under “Description of the Certificates—Voting Under any Underlying Pooling and Servicing Agreement” on page 33.

Uniform Fee Pool: As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

Uniform Margin Pool: As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

U.S. Person: As defined herein under “Description of the Certificates—Additional Characteristics of Residual Certificates” on page 29.

WAC: The weighted average coupon of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates, MBS or Underlying Certificates.

WAM: The weighted average remaining term to maturity (in months) of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates, MBS or Underlying Certificates.

Weighted Average Coupon Class: As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

Weighted Average Pass-Through Rate: The weighted average of the Pass-Through Rates of the Mortgage Loans in the Mortgage Pools underlying a Series of Certificates, MBS or Underlying Certificates.

Yield Maintenance Charge: As defined herein under “Summary of Prospectus—Fannie Mae Guaranty” on page 5.