

Single-Family MBS Prospectus



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

The Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the guaranteed mortgage pass-through certificates or MBS certificates. Each issuance of certificates will have its own identification number and will represent the beneficial ownership in a distinct pool of residential mortgage loans secured by single-family (one-to four-unit) dwellings, or in a pool of participation interests in loans of that type.

Fannie Mae Guaranty

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

Consider carefully the risk factors section beginning on page 11. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

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

The date of this Prospectus is June 1, 2009.

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INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each issuance of certificates. We will post this prospectus and the related prospectus supplement for each issuance of certificates on our Web site shown below. In addition, we will deliver these documents either electronically to parties who request them in accordance with our procedures or in paper form to parties who so request. The disclosure documents for any particular issuance of certificates are this prospectus and the prospectus supplement, together with any information incorporated into these documents by reference as discussed below under the heading “**INCORPORATION BY REFERENCE.**” We also provide updated information and corrections regarding mortgage pools through our “PoolTalk®” application or other locations on our Web site specified below. You should note that the certificates are not traded on any exchange and the market price of a particular issuance of certificates or a benchmark price may not be readily available. **In determining whether to purchase any issuance of certificates in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement and any information that we have otherwise incorporated into these documents by reference. You should not rely on any unauthorized information or representation.**

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

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

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

INCORPORATION BY REFERENCE

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

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

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

- our annual report on Form 10-K for the fiscal year ended December 31, 2008 (“Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the Form 10-K until the date of this

prospectus, including our quarterly reports on Form 10-Q and current reports on Form 8-K, but excluding any information “furnished” to the SEC on Form 8-K; and

- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this prospectus and prior to the completion of the offering of the related certificates, excluding any information we “furnish” to the SEC on Form 8-K.

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

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

SUMMARY

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

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

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

Our regulators include FHFA, the U.S. Department of Housing and Urban Development (“HUD”), the SEC, and the U.S. Department of the Treasury (“Treasury”). The Office of Federal Housing Enterprise Oversight (“OFHEO”), which has been succeeded by FHFA, was our safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008 (“Regulatory Reform Act”) on July 30, 2008.

We have issued to Treasury 1 million shares of Senior Preferred Stock (the “Senior Preferred Stock”), and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae (the “Warrant”). **Nevertheless, we alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

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

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

Issue Date The first day of the month in which the certificates are issued.

Distribution Date The 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payment will be made on the next business day. The first distribution date for an issuance of certificates will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day following April 25th.

Settlement Date No later than the last business day of the month in which the issue date occurs.

Maturity Date The date specified in the prospectus supplement for each issuance of certificates.

Interest We will pay interest on the certificates each month on the distribution date.

If a pool contains fixed-rate mortgage loans, we will pay to certificateholders interest at the fixed pass-through rate stated in the related prospectus supplement.

If a pool contains adjustable-rate mortgage loans, other than those permitting negative amortization, we will pay to certificateholders interest at the then-current variable pass-through rate (referred to as the pool accrual rate). The initial pool accrual rate is described in the related prospectus supplement.

If a pool contains adjustable-rate mortgage loans that permit negative amortization, we will pay to certificateholders interest at the then-current variable pool accrual rate minus the aggregate amount of any deferred interest that is added to the principal balance of the mortgage loans.

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

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

- the aggregate amount of the borrowers' scheduled principal payments for the related due period;
- the stated principal balance of mortgage loans that were prepaid in full during the calendar month immediately preceding the month in which the distribution date occurs;
- the stated principal balance of mortgage loans that were purchased from the pool during the calendar month

immediately preceding the month in which the distribution date occurs; and

- the amount of any partial prepayments on mortgage loans that were received during the calendar month immediately preceding the month in which the distribution date occurs (or during the second preceding calendar month for pools of loans from our portfolio that require monthly remittance by the direct servicer to us of actual payments instead of scheduled payments).

Depending on the election made by the direct servicer servicing the mortgage loans for us, prepayments in full received by the first business day of a month may be treated as if received by the last day of the preceding calendar month. If they are so treated, they will be passed through on the distribution date in the month of actual receipt. For example, if a prepayment is actually received on February 1st, it may be treated as if it had been received on January 31st and, if it is so treated, the prepayment will be passed through on February 25th (or the next business day, if February 25th is not a business day). If the direct servicer has not chosen this treatment of prepayments, a prepayment received on the first day of a month will be passed through on the distribution date in the calendar month immediately following the calendar month in which it was received.

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

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

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

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

For fixed-rate pools, we guarantee payment of interest at the stated pass-through rate specified in the prospectus supplement. For adjustable-rate pools, we guarantee payment of interest calculated at the pool accrual rate minus the aggregate amount of any deferred interest that is added to the principal balance of the mortgage loans.

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

Our guaranty runs directly to the MBS trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see "**DESCRIPTION OF THE CERTIFICATES—Trust Agreement—Certificateholder Rights Upon a Guarantor Event of Default**" below.

Master Servicing/Servicing We are responsible as master servicer for certain duties. We generally contract with mortgage lenders to perform servicing functions for us subject to our supervision. We refer to these servicers as our direct servicers. For a description of our duties as master servicer and the responsibilities of our direct servicers, see "**DESCRIPTION OF THE CERTIFICATES—Trust Agreement—Collection and Other Servicing Procedures.**"

Trust Agreement Each issuance of certificates is issued in accordance with the provisions of the Single-Family Master Trust Agreement effective as of January 1, 2009, as supplemented by an issue supplement. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement and the related issue supplement for a complete description of your rights and obligations as well as those of Fannie Mae in its various capacities. The trust agreement may be found on our Web site.

Trustee We serve as trustee for each issuance of certificates pursuant to the terms of the trust agreement and the related issue supplement.

Paying Agent An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the certificates.

Fiscal Agent An entity designated by us to perform certain administrative functions for our MBS trusts. The Federal Reserve Bank of New York currently serves as our fiscal agent for the certificates.

Mortgage Pools Each mortgage pool will contain the types of mortgage loans (or participation interests in mortgage loans) described in the related prospectus supplement.

We require each mortgage loan to meet our published standards for loans that we purchase, except to the extent that we have permitted variances from those standards. We may change our standards from time to time.

Mortgage Collateral Each mortgage loan will be secured by a first or subordinate lien on a single-family, residential property containing one to four dwelling units (including manufactured housing) or on a share in a cooperative housing corporation representing the right to occupy a residential dwelling.

Mortgage Loan Types Mortgage pools may include the following types of mortgage loans:

- Fixed-rate, equal monthly payment, fully amortizing loans
- Fixed-rate, equal biweekly payment, fully amortizing loans
- Fixed-rate loans with monthly payments of interest only for a specified initial period, followed by fully amortizing equal monthly payments of principal and interest for the remaining loan term
- Fixed-rate loans with a balloon payment due at maturity
- Adjustable-rate, monthly pay, fully amortizing loans
- Adjustable-rate loans with monthly payments of interest only during a specified initial fixed-rate period, followed by fully amortizing monthly payments of principal and interest for the remaining loan term
- Adjustable-rate loans that may permit deferred interest (which is added to the outstanding principal balance of the mortgage loan) as a result of negative amortization or provide for a balloon payment due at maturity.

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

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

Termination The trust will terminate no later than the maturity date of the related certificates. We do not have a clean-up call option to cause an early termination of the trust that gives us the right to terminate a trust simply because the unpaid principal balance of a particular pool reaches a certain percentage of the original issue date unpaid principal balance of a pool.

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

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

ERISA Considerations For the reasons that are discussed under “**ERISA CONSIDERATIONS**” in this prospectus, investment by a plan in the certificates will not cause the assets of the plan to include the mortgage loans underlying the certificates or cause the sponsor, trustee and servicers of the mortgage pool to be subject to the fiduciary provisions of the Employee Retirement Income Security Act (ERISA) or the prohibited transaction provisions of ERISA or section 4975 of the Internal Revenue Code of 1986.

RISK FACTORS

We have listed below some of the principal risks associated with an investment in the certificates. In addition, our annual report on Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus, discuss certain risks, including risks relating to Fannie Mae, that may affect your investment in the certificates and the value of the certificates.

You should review all of these risk factors before investing in the certificates. Because each investor has different investment needs and different risk tolerances, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

INVESTMENT FACTORS:

The certificates may not be a suitable investment for you.

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

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

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

FANNIE MAE GOVERNANCE FACTORS:

FHFA, as conservator, is authorized under the Regulatory Reform Act to transfer or sell any of our assets or liabilities, including our guaranty, without any approval, assignment or consent from us or any other party.

In its capacity as conservator, FHFA has the authority to transfer any of our assets or liabilities, including our guaranty, without any approval, assignment or consent from us or any other party. If FHFA, as conservator, were to transfer our guaranty obligations to another party, certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

The Director of FHFA is authorized to place us into receivership under certain conditions, which could adversely affect our contracts, including our guaranty, and restrict or eliminate certain rights of certificateholders.

Under the Regulatory Reform Act, FHFA must place us into receivership if the Director of FHFA makes a determination that our assets are, and for a period of 60 days have been, less than our obligations, or we are unable to pay our debts and have been unable to do so for a period of 60 days.

The Director of FHFA may also place us into receivership in his or her discretion for certain other reasons. The appointment of a receiver would terminate the current conservatorship. If FHFA were to become our receiver, it could exercise certain powers that could adversely affect certificateholders, as explained below.

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

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

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

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

Rights of Certificateholders: During a receivership, certain rights of certificateholders under the trust documents may not be enforceable against FHFA, or

enforcement of such rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a receiver, certificateholders have the right to replace Fannie Mae as trustee and master servicer if the requisite percentage of certificateholders consents. The Regulatory Reform Act may prevent certificateholders from enforcing their rights to replace Fannie Mae as trustee and master servicer if the event of default arises solely because a receiver has been appointed.

The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Fannie Mae is a party, or obtain possession of or exercise control over any property of Fannie Mae, or affect any contractual rights of Fannie Mae, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver.

If we are placed into receivership and do not or cannot fulfill our guaranty obligations, certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. In the event our assets are liquidated in a receivership, you may not receive all of your investment. For a description of certain rights of certificateholders to proceed against Treasury if we fail to pay under our guaranty, see “**DESCRIPTION OF THE CERTIFICATES—Trust Agreement—Certificateholder Rights Upon a Guarantor Event of Default**” below.

If we emerge from conservatorship and at a later date FHFA again were to place us into conservatorship, FHFA as conservator would have the authority of a new conservator (which is similar to the authority of a receiver described above), which could adversely affect our contracts, including our guaranty, and restrict or eliminate certain rights of certificateholders.

FHFA currently has all of the authority of a conservator as to certificates issued before September 6, 2008, the date we were placed into conservatorship. See “**FANNIE MAE—Regulatory Actions and Conservatorship**” below.

For so long as we remain in the current conservatorship and are not placed into receivership, (i) FHFA has no authority to repudiate any contracts entered into after we were placed into conservatorship, including our guaranty related to certificates we issued during our conservatorship, and (ii) the rights of holders of certificates issued during our conservatorship are not restricted by the Regulatory Reform Act.

If we emerge from conservatorship and at a later date FHFA again were to place us into conservatorship, (i) FHFA would have all of the authority of a new conservator (which is similar to the authority of a receiver described above), including the authority to repudiate the guaranty associated with certificates we issued during our initial conservatorship, and (ii) certain rights of

holders of certificates issued prior to and during our initial conservatorship would again be restricted or eliminated.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY:

Investors should review the risks related to our business and industry set forth below to assess the potential impact on our ability to satisfy our obligations relating to the certificates, including our guaranty obligations. In the event we are unable to satisfy our obligations, distributions to investors could be reduced. Please refer to our Form 10-K and subsequent Form 10-Q filings for additional risk factors related to our business and industry.

We expect FHFA will request additional funds from Treasury on our behalf to ensure we maintain a positive net worth and avoid mandatory receivership. The dividends that we pay or that accrue on Treasury's investments in the company, particularly as the amount of these funds increases, will continue to adversely affect our results of operations, our financial condition and stability, our liquidity and our net worth, both in the short term and over the longer term.

In September 2008, Fannie Mae, through our conservator, entered into a Senior Preferred Stock Purchase Agreement with Treasury (the "Stock Purchase Agreement") and the Warrant. Pursuant to the Stock Purchase Agreement, Fannie Mae issued Treasury the Senior Preferred Stock and entered into the Warrant as an initial commitment fee for Treasury's commitment (the "Commitment") to provide up to \$100 billion in funds to Fannie Mae. In May 2009, the Stock Purchase Agreement was amended to increase the size of the Commitment from \$100 billion to \$200 billion.

We generally may draw funds under the Commitment on a quarterly basis when our total liabilities exceed our total assets on our consolidated balance sheet prepared in accordance with generally accepted accounting principles ("GAAP") as of the end of the preceding quarter.

Our ability to maintain a positive net worth (which means that our assets are greater than our obligations) has been and continues to be adversely affected by market conditions and volatility. At March 31, 2009, our total liabilities exceeded our total assets by \$18.9 billion. The Director of FHFA has submitted a request on our behalf to draw \$19.0 billion in funds under the Commitment and has requested receipt of those funds on or before June 30, 2009. If we have a negative net worth as of the end of future fiscal quarters, we expect that FHFA will request additional funds from Treasury under the Stock Purchase Agreement because, under the Regulatory Reform Act, FHFA must place us into receivership if the Director of FHFA determines that we have a net worth deficit for a period of 60 days.

Factors that could adversely affect our net worth for future periods include factors that we can affect as well as factors over which we have no control, such as: additional net losses; continued declines in home prices; increases in our credit and interest rate risk profiles; adverse changes in interest rates or implied volatility; adverse changes in option-adjusted spreads; impairments of private-label mortgage-related securities;

counterparty downgrades; changes in GAAP; and actions taken by FHFA, Treasury, or the Congress relating to our business, the mortgage industry or the financial services industry. In addition, actions we take to help homeowners, such as increasing our purchases of loans out of our MBS trusts to modify them are, likely to adversely affect our net worth in future periods.

Obtaining funds from Treasury under the Stock Purchase Agreement increases the aggregate liquidation preference of the Senior Preferred Stock and our dividend obligations on the Senior Preferred Stock. The aggregate liquidation preference and dividend obligations will also increase by the amount of any required dividend we fail to pay and by any quarterly commitment fee we are required to pay Treasury under the Stock Purchase Agreement but fail to pay.

When Treasury provides the additional \$19.0 billion FHFA has requested on our behalf, the aggregate liquidation preference on the Senior Preferred Stock will be \$35.2 billion, which will require, under the terms of the Stock Purchase Agreement, an annualized dividend of approximately \$3.5 billion. This amount exceeds 50% of our reported annual net income in six of the past seven years, in most cases by a significant margin. Further funds received from Treasury under the Stock Purchase Agreement may substantially increase the liquidation preference of and the dividends we owe on the Senior Preferred Stock. As a result, we may need additional funds from Treasury to meet our dividend obligation. If the total liquidation preference of the Senior Preferred Stock exceeds \$81 billion in the future, the annual dividends payable on the Senior Preferred Stock would be greater than the annual net income we have reported for each of the last seven years.

If Treasury's remaining Commitment is insufficient to eliminate our net worth deficit in a quarter, we may be placed into receivership by FHFA. The cost of our debt funding is likely to increase if debt investors become concerned about a growing risk that we could be placed into receivership, and those increased costs would materially and adversely affect our results of operations, financial condition, liquidity and net worth.

We are subject to mortgage credit risk. We expect increases in borrower delinquencies and defaults on mortgage loans that we own (or that back our certificates) to continue to materially and adversely affect our business, results of operations, financial condition, liquidity and net worth.

We are exposed to mortgage credit risk relating to both the mortgage loans that we hold in our investment portfolio and the mortgage loans that back our certificates. When borrowers fail to make required payments of principal and interest on their mortgage loans, we are exposed to the risk of credit losses and credit-related expenses.

Conditions in the housing and financial markets worsened dramatically during 2008 and remained stressed in the first quarter of 2009, contributing to a deterioration in the credit performance of our book of business, including higher serious delinquency rates and average loan loss severities on the mortgage loans we hold or that back our certificates, as well as a substantial increase in our inventory of foreclosed properties. Increases in delinquencies, default rates and loss severities cause us to experience higher credit-related expenses. The credit performance of our book of business has also been negatively affected by deteriorating economic conditions. These worsening credit performance trends have been most notable in certain of our higher risk loan categories, states and vintages, although current market and economic conditions, particularly increasing unemployment, have also begun to affect the credit performance of our broader overall mortgage loan portfolio. We present detailed information about the risk characteristics of our conventional single-family mortgage credit book of business in our Form 10-K and in our subsequent filings on Form 10-Q.

We expect that these adverse credit performance trends will continue and may accelerate, particularly if we continue to experience national and regional declines in home prices, a recessionary economic environment and rising unemployment in the United States.

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

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

The credit losses we experience in future periods as a result of the housing and economic crisis are likely to be larger, perhaps substantially larger, than our current combined loss reserves and will adversely affect our business, results of operations, financial condition, liquidity and net worth.

In accordance with GAAP, our combined loss reserves, as reflected in our financial statements, do not reflect our estimate of the future credit losses inherent in our existing guaranty book of business. Rather, they reflect only the probable losses that we believe we have already incurred as of the date of our financial statements. Accordingly, although we believe that our credit losses will increase in the future due to the worsening housing and economic crisis, the costs of our activities under various programs designed to keep borrowers in homes,

We are in conservatorship, and the Stock Purchase Agreement significantly restricts our business activities. The impact of the conservatorship and the Stock Purchase Agreement on the management of our business may materially and adversely affect our business, financial condition, results of operations, liquidity and net worth.

higher unemployment and other negative trends, we are not permitted under GAAP to reflect these future trends in our loss reserve calculations. Because of the housing and economic crisis, there is significant uncertainty regarding the full extent of our future credit losses. The credit losses we experience in future periods will adversely affect our business, results of operations, financial condition, liquidity and net worth.

We are currently under the control of our conservator. The conservatorship has no specified termination date; we do not know when or how it will be terminated. In addition, our directors do not have any duties to any person or entity except to the conservator. Accordingly, our directors are not obligated to consider the interests of the company or the holders of our MBS certificates unless specifically directed to do so by the conservator.

Under the Regulatory Reform Act, FHFA, as conservator, can direct us to enter into contracts or can enter into contracts on our behalf. Moreover, FHFA, as conservator, generally has the power to transfer or sell any of our assets or liabilities and may do so without the approval, assignment or consent of any party. In addition, FHFA, as conservator, may take “such action as may be necessary to put the regulated entity in a sound and solvent condition.” Furthermore, FHFA, as conservator, may take any action authorized by the statute that FHFA determines is in its best interest or our best interests, in its sole discretion. We have no control over FHFA’s actions, or the actions it may direct us to take.

The Stock Purchase Agreement with Treasury includes a number of additional covenants that significantly restrict our business activities. We cannot, without the prior written consent of Treasury: pay dividends; sell, issue, purchase or redeem Fannie Mae equity securities; sell, transfer, lease or otherwise dispose of assets other than for fair market value in specified situations; engage in transactions with affiliates other than on arm’s-length terms or in the ordinary course of business; issue subordinated debt; or incur indebtedness that would result in our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are allowed to own. Through December 30, 2010, our debt cap equals \$1,080 billion. Beginning December 31, 2010, and on December 31 of each year thereafter, our debt cap that will apply through December 31 of the following year will equal 120% of the amount of mortgage assets we are allowed to own on December 31 of the immediately preceding calendar year. Pursuant to the Stock Purchase Agreement, we also are not permitted to increase the size of our mortgage portfolio to more than \$900 billion through the end of 2009, and beginning in 2010 we are

The investment by Treasury significantly restricts our business activities and requires that we pay substantial dividends and fees, which could adversely affect our business, financial condition, results of operations, liquidity and net worth. By its terms, Treasury's investment in our business is indefinite and may be permanent.

required to reduce the size of our mortgage portfolio by 10% per year (based on the size of the portfolio on December 31 of the prior year) until it reaches \$250 billion.

Under the Stock Purchase Agreement, as it was amended on May 6, 2009, Treasury has made the Commitment to provide up to \$200 billion in funding as needed to help us maintain a positive net worth.

Cost of Treasury Investment. Beginning in 2010, we are obligated to pay a quarterly commitment fee to Treasury in exchange for its continued funding Commitment under the Stock Purchase Agreement. This fee has not yet been established and could be substantial. We are also required to pay dividends on the Senior Preferred Stock at a rate of 10% per year (or 12% in specified circumstances) based on the liquidation preference of the stock. As a result of the funds we received from Treasury on March 31, 2009 under the Commitment, the amount of the aggregate liquidation preference increased to \$16.2 billion and our annualized aggregate dividend payment to Treasury, at the 10% dividend rate, increased to \$1.6 billion. FHFA has requested that Treasury provide an additional \$19.0 billion in funds under the Commitment as a result of our net worth deficit at March 31, 2009. When we receive those funds, the amount of the aggregate liquidation preference will increase to \$35.2 billion and our annualized aggregate dividend payment to Treasury, at the 10% dividend rate, will increase to \$3.5 billion. The liquidation preference may also increase by the amount of each unpaid dividend if we fail to pay any required dividend and by the amount of each unpaid quarterly commitment fee if we fail to pay any required commitment fee. Because dividends on the Senior Preferred Stock are paid based on the then-current liquidation preference of the stock, any further increases in the liquidation preference will increase the amount of the dividends payable, and the increase may be substantial. If the dividends payable are substantial, it could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. Moreover, increases in the liquidation preference of the Senior Preferred Stock will make it more difficult for us to achieve self-sustaining profitability in the future.

Mortgage Portfolio Cap. Pursuant to the Stock Purchase Agreement, as amended on May 6, 2009, we are not permitted to increase the size of our mortgage portfolio to more than \$900 billion through the end of 2009 and, beginning in 2010, we are required to reduce the size of our mortgage portfolio by 10% per year (based on the size of the portfolio on December 31 of the prior year) until it reaches \$250 billion. This mortgage portfolio cap may force us to sell mortgage assets at unattractive prices and

may prevent us from purchasing mortgage assets at attractive prices. Moreover, the interest income we generate from the mortgage assets we hold in our portfolio is a primary source of our revenue, which we expect will be reduced as the size of our portfolio is reduced. As a result, this mortgage portfolio cap could have a material adverse effect on our business, financial condition, results of operations, liquidity and net worth.

Indefinite Nature of Treasury Investment. We have issued to Treasury 1 million shares of Senior Preferred Stock and the Warrant. The Senior Preferred Stock will remain outstanding until Treasury's Commitment is terminated and the liquidation preference on the Senior Preferred Stock is fully repaid. Treasury's Commitment will terminate under any of the following circumstances: (1) the completion of our liquidation and fulfillment of Treasury's obligations under its Commitment at that time; (2) the payment in full of, or the reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guaranty obligations); or (3) the funding by Treasury of \$200 billion under the Commitment. The Warrant will remain exercisable through September 7, 2028. Accordingly, even if the conservatorship is terminated, the United States government will have an equity ownership stake in our company so long as the Senior Preferred Stock is outstanding, the Warrant is exercisable, or the United States government holds shares of our common stock issued upon exercise of the Warrant. These terms of Treasury's investment effectively eliminate our ability to raise equity capital from private sources. Moreover, our draws under Treasury's Commitment, and the required dividend payments thereon, could permanently impair our ability to build independent sources of capital and will make it more difficult for us to achieve self-sustaining profitability in the future.

Our multiple roles in the Making Home Affordable Program are likely to increase our costs and place burdens on our resources.

The Making Home Affordable Program was announced by the Obama Administration in March 2009. Under this program, we are offering the Home Affordable Refinance Program and the Home Affordable Modification Program. The Home Affordable Refinance Program allows certain eligible borrowers to carry forward mortgage insurance and refinance their mortgage loan at up to 105% of the home's value. Under the Home Affordable Modification Program, we are working with loan servicers to assist borrowers with modifications of their existing mortgage loan to reduce interest rates, lengthen the payment time or take actions such as principal forbearance to bring monthly payments down to approximately 31% of a borrower's pre-tax income. If our borrowers participate in the Home Affordable Modification Program in large numbers, we expect to incur substantial costs as a

result of modifications of loans we own or have securitized, including as a result of the incentive fees we will provide our servicers and borrowers, and losses at the time we acquire loans, which we must do prior to any modification. This program will therefore likely have a material adverse effect, at least in the short term, on our business, results of operations and financial condition, including our net worth.

In addition, we expect our role as administrator for the Home Affordable Modification Program to be substantial, requiring significant levels of internal resources and management attention, which may therefore be shifted away from other corporate initiatives. This shift could have a material adverse effect on our business, results of operations, financial condition, net worth, and liquidity of our securities. Further, to the extent that we devote our efforts to the Home Affordable Modification Program and it does not achieve the desired results for any reason, we may experience reputational loss, which could adversely affect the extent to which the government continues to support our business and activities.

FHFA, other government agencies or Congress may ask us to undertake additional significant efforts in pursuit of providing liquidity, stability and affordability to the mortgage market and providing assistance to struggling homeowners, or in pursuit of other goals, which may adversely affect our business, results of operations, financial condition, liquidity and net worth.

Prior to the conservatorship, our business was managed with a strategy to maximize shareholder returns. However, in this time of economic uncertainty, our conservator has directed us to focus primarily on fulfilling our mission of providing liquidity, stability and affordability to the mortgage market and to provide assistance to struggling homeowners to help them remain in their homes. As a result, we may take a variety of actions designed to address this focus that could adversely affect our economic returns, possibly significantly, such as: increasing our purchase of loans that pose a higher credit risk; reducing our guaranty fees; refraining from foreclosing on seriously delinquent loans; increasing our purchases of loans out of MBS trusts in order to modify them. These activities may adversely affect our economic returns, in both the short term and long term. These activities also create risks to our business and are likely to have an adverse effect on our business, results of operations, financial condition, liquidity and net worth.

In addition to FHFA, other agencies of the United States government or Congress may also ask us to undertake significant efforts in pursuit of our mission. We are implementing the two programs under the Making Home Affordable Program discussed above. We do not know what additional actions FHFA, other agencies of the United States government, or Congress may direct us to take in the future or how such actions will affect, on a short- or long-term basis, our business, results of operations, liquidity or financial condition, including our net worth.

The conservatorship has no specified termination date, and the future structure of our business following termination of the conservatorship is uncertain.

We do not know when or how the conservatorship will be terminated or what changes to our business structure will be made during or following the termination of the conservatorship. We do not know whether we will exist in the same or a similar form or continue to conduct our business as we did before the conservatorship, or whether the conservatorship will end in receivership. At the time we were placed into conservatorship, the then Secretary of the Treasury indicated that there is a consensus that we and Freddie Mac pose a systemic risk and cannot continue in our current form.

Under the Regulatory Reform Act, the appointment of FHFA as the receiver of Fannie Mae would immediately terminate the conservatorship. The consequences of our being placed into receivership are described above. If we are not placed into receivership and the conservatorship is terminated, our business will remain subject to the restrictions of the Stock Purchase Agreement, unless it is amended by mutual agreement of us and Treasury. The restrictions on our business under the Stock Purchase Agreement are described above and in our Form 10-K.

Treasury's funding Commitment may not be sufficient to keep us in a solvent condition.

Under the Stock Purchase Agreement, as amended on May 6, 2009, Treasury made the Commitment to provide up to \$200 billion in funding as needed to help us maintain a positive net worth. On March 31, 2009, we received \$15.2 billion under the Commitment. As a result of our net worth deficit at March 31, 2009, the Director of FHFA has requested \$19.0 billion from Treasury to eliminate our net worth deficit at that date. These two draws reduce the amount of Treasury's remaining Commitment by \$34.2 billion, and we expect to continue to have losses and net worth deficits resulting in our obtaining additional funds from Treasury. When Treasury provides the additional funds that have been requested, the annualized dividend on the Senior Preferred Stock will be \$3.5 billion. We expect that it is likely that we will need to seek additional funds from Treasury merely to allow us to pay the quarterly dividends due on the Senior Preferred Stock in cash and thereby avoid an increase in the dividend rate from 10% to 12%. As a result, the Commitment may not be sufficient to keep us in a solvent condition or prevent us from being placed into receivership, particularly if we continue to experience substantial losses in future periods. The Commitment also may be insufficient to accomplish these objectives if we experience a liquidity crisis that prevents us from accessing the unsecured debt markets.

We may not be able to rely on the Treasury Credit Facility in the event of a liquidity crisis.

On September 19, 2008, we entered into a lending agreement with Treasury (the "Credit Facility") under which we may request loans from Treasury until December 31, 2009. Any loans made by Treasury under the Credit

Facility must be collateralized. To date, we have not borrowed any funds under the Credit Facility. Treasury is not obligated by the terms of the Credit Facility to make any loans to us. In addition, we must provide collateral securing any loan that Treasury makes to us under the Credit Facility in the form of MBS certificates or Freddie Mac mortgage-backed securities. Treasury may reduce the value assigned to the collateral by whatever amount Treasury determines, and may request additional collateral. In addition, Treasury may require that we immediately repay, on demand, any one or more of the loans outstanding under the Credit Facility, regardless of the originally scheduled maturity date of the loan. Loans also become immediately due and payable upon the occurrence of specified events of default, which includes our receivership. Upon the occurrence of any event of default, Treasury may pursue specified remedies, including sale of the collateral we provided. If Treasury requires us to repay immediately loans made to us pursuant to the Credit Facility, there can be no assurance that we will be able to make those payments or borrow sufficient funds from alternative sources to make those payments. In addition, the forced sale of our collateral could adversely affect our business, financial condition, results of operations, liquidity and net worth.

We may experience further losses and write-downs relating to our investment securities, which could materially adversely affect our business, results of operations, financial condition, liquidity and net worth.

We experienced significant losses relating to our investment securities in 2008 and recorded significant write-downs of some of our available-for-sale securities in the first quarter of 2009. A substantial portion of these fair value losses and write-downs related to our investments in private-label mortgage-related securities backed by Alt-A and subprime mortgage loans and commercial mortgage-backed securities due to the continued decline in home prices and severe economic downturn. We expect continued increases in mortgage loan delinquencies, defaults, loss severities and additional write-downs of our investments in private-label mortgage-related securities, including on those that continue to be AAA-rated.

We also have incurred significant losses relating to the non-mortgage investment securities in our cash and other investments portfolio, primarily as a result of a substantial decline in the market value of these assets due to the financial market crisis. The fair value of the investment securities we hold may be further adversely affected by continued deterioration in the housing market and economy, additional ratings downgrades or other events. Further losses and write-downs relating to our investment securities could materially adversely affect our business, results of operations, financial condition, liquidity and net worth.

Market illiquidity also has increased the amount of management judgment required to value certain of our securities. Further, if we were to sell any of these securities, the price we ultimately would realize would depend on the demand and liquidity in the market at that time, and could be materially lower than the estimated fair value at which we carry these securities on our balance sheet. Any of these factors could require us to record additional write-downs in the value of our investment portfolio, which would have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Limitations in future periods on our ability to access the debt capital markets could have a material adverse effect on our ability to fund our operations and on our costs, liquidity, business, results of operations, financial condition and net worth, particularly as the Treasury Credit Facility ceases to be available to us after December 2009.

Our ability to operate our business, meet our obligations and generate net interest income depends primarily on our ability to issue substantial amounts of debt frequently, with a variety of maturities and call features and at attractive rates. Market concerns about matters such as the extent of United States government support for our business, our capital position and the future of our business (including future profitability, future structure, regulatory actions and agency status) likely would have a severe negative effect on our access to the unsecured debt markets, particularly for long-term or callable debt, and increase the yields on our debt as compared to relevant market benchmarks. We believe that improvements since November 2008 in our debt funding stem from federal government support, including the Federal Reserve's purchases of our debt and MBS certificates, and, as a result, a reduction, real or perceived, in the government's support of us likely would have a material adverse effect on our ability to fund our operations. There can be no assurance that the government will continue to supply us with its current level of support, and any changes or perceived changes in the government's support of us may have a material adverse effect on our ability to fund our operations. In particular, to the extent the market for our debt securities has improved due to the Credit Facility being made available to us, we believe that the actual and perceived risk that we will be unable to refinance our debt as it becomes due remains and is likely to increase substantially as we progress toward December 31, 2009, which is the date on which the Credit Facility terminates. There also can be no assurance that our current level of access to funding will continue.

If our ability to access the debt capital markets is limited in future periods, we would likely need to meet our funding needs by issuing short-term debt, increasingly exposing us to the risk of increasing interest rates, adverse credit market conditions and insufficient demand for our debt to meet our refinancing needs. This would increase the likelihood that we would need to rely on our liquidity contingency plan, to the extent possible, or to obtain

funds under the Credit Facility, or possibly be unable to repay our debt obligations as they become due. In the current market environment, we have significant uncertainty regarding our ability to carry out fully our liquidity contingency plans.

If we are unable to issue both short- and long-term debt securities at attractive rates and in amounts sufficient to operate our business and meet our obligations, it likely would interfere with or prevent the operation of our business and would have a continuing material adverse effect on our liquidity, results of operations, financial condition and net worth.

The financial services industry is undergoing significant structural and regulatory changes, and is subject to significant and changing regulation. We do not know how these changes will affect our business and our ability to perform.

The financial services industry is undergoing significant structural changes. In light of current conditions in the U.S. financial markets and economy, regulators and legislatures have increased their focus on the regulation of the financial services industry. A number of proposals for legislation regulating the financial services industry are being introduced in Congress and in state legislatures and the number may increase. Several of these proposals specifically relate to housing finance and consumer mortgage practices, which could result in our becoming liable for statutory violations by mortgage originators.

We are unable to predict whether any of these proposals will be implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Actions by regulators of the financial services industry, including actions related to limits on executive compensation, impact the retention and recruitment of management. In addition, the actions of Treasury, the FDIC, the Federal Reserve and international central banking authorities directly impact financial institutions' cost of funds for lending, capital raising and investment activities, which could increase our borrowing costs or make borrowing more difficult for us. Changes in monetary policy are beyond our control and difficult to anticipate.

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

The structural changes in the financial services industry and any legislative or regulatory changes could affect us

in substantial and unforeseeable ways and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. In particular, these changes could affect our ability to issue debt and may reduce our customer base.

PREPAYMENT FACTORS:

General

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

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

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

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

Borrowers could make full or partial prepayments of principal, accelerating the rate of principal payments on your certificates.

Some borrowers may elect to make a full or partial principal prepayment and thereby reduce or eliminate their outstanding loan balance. The outstanding principal balance of the certificates will be reduced by the amount of this prepaid principal, resulting in an earlier return of principal than otherwise might be the case. This result will be more pronounced for prepayments in full of mortgage loans with higher balances. While this risk of prepayment applies to all pool types, it is particularly noteworthy in the context of pools that contain loans obligating the borrower to pay only interest for a stated period, before beginning to amortize principal. Although these loans are interest-only for that stated period, distributions on the certificates during and after that stated

period will typically include any unscheduled payment of principal made by the borrower.

Refinance Environment

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

If prevailing rates decline and borrowers are able to obtain new loans at lower rates, they are more likely to refinance their mortgage loans. As a result, you could receive payments of principal on your certificates more quickly than you expect, at a time when reinvestment rates are lower. The mortgage loans may or may not contain prepayment premiums that discourage borrowers from prepaying.

Furthermore, certain actions taken by the United States Government may cause interest rates to become or remain low. For example, the Federal Reserve Bank and Treasury are purchasing our mortgage-backed securities and those of Freddie Mac. Additionally, the United States Government, pursuant to the Make Home Affordable Program, has implemented initiatives that would allow many borrowers to refinance a mortgage currently owned or guaranteed by us into a new mortgage and allow existing mortgage insurance to be carried forward to the new loan. In addition, under the Home Affordable Refinance Program, borrowers may be eligible to refinance loans up to 105% of the home's value, assisting certain homeowners who are currently "underwater". These unprecedented governmental actions may increase the rate of refinancings for mortgage loans in your pool relative to the rate that would occur absent governmental actions.

Prevailing interest rates may rise, causing borrowers not to prepay their loans, slowing the rate at which you receive your return of principal on the certificates.

If prevailing interest rates rise and borrowers are less able to obtain new loans at lower rates, they may elect less frequently to move to a new home or refinance their existing loan. As a result, the loans in your pool may, on average, prepay less rapidly than you expect. As a result, you could receive payments of principal on the certificates more slowly than you expect. Moreover, the certificates could remain outstanding longer than you expect, at a time when reinvestment rates are higher.

The mortgage origination industry could change its underwriting requirements, procedures and prices for refinancing loans, either accelerating or slowing the rate at which you receive your return of principal on the certificates.

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

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

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

which you receive payments of principal on your certificates.

Certain adjustable-rate mortgage loans that have long initial fixed interest rate periods have the potential for a significant rate increase at the first interest rate change date. For these loans, borrowers may be more likely to refinance prior to effectiveness of a rate increase. If borrowers are unable to refinance these loans, some borrowers may find it increasingly difficult to remain current in their scheduled monthly payments following the increase in monthly payment amounts if interest rates rise substantially after the long initial fixed interest rate period.

Certain fixed-rate mortgage loans and adjustable-rate mortgage loans have scheduled monthly payments consisting only of accrued interest during a long period after origination. Following the end of the interest-only period, the scheduled monthly payments on these mortgage loans are increased to amounts that are sufficient to cover accrued interest and to fully amortize the principal balance of each mortgage loan by its maturity date. In particular, for certain adjustable-rate mortgage loans, borrowers may experience a substantial increase in payments if the first change to the interest rate and payment coincides with the end of the interest-only period on that loan. As a result, borrowers may be more likely to refinance these mortgage loans prior to or on the dates on which the scheduled monthly payments increase. If borrowers are unable to refinance these loans, some borrowers may find it increasingly difficult to remain current in their scheduled monthly payments following the increase in monthly payment amounts.

Property / Credit / Purchase Risk

We are required to purchase mortgage loans from pools under certain conditions, accelerating the rate at which you receive a return of principal.

We are required to purchase mortgage loans from pools when certain events occur, including the following:

- we determine or our regulator, a government agency, or a court determines that our acquisition of a mortgage loan was not permitted or requires us to purchase a mortgage loan from a trust to comply with applicable law;
- a court or a governmental agency requires the transfer of the mortgage loan (other than as permitted under the mortgage loan documents or the trust agreement) or a court or governmental agency requires the destruction of any improvements on the mortgaged property if as a result the remaining improvements are rendered uninhabitable or unsafe or the value of the property no longer provides adequate security for the mortgage loan;

- a borrower takes certain actions permitted under the mortgage note (such as converting an adjustable-rate loan to a fixed-rate loan), which actions are specified in a prospectus supplement as leading to mandatory purchase;
- a mortgage insurer or mortgage guarantor requires transfer of the mortgage loan in connection with the payment of a claim;
- on the final maturity date of the trust, to the extent any mortgage loan or REO property remains in the trust; or
- a mortgage loan is in default with respect to principal and interest payments and becomes 24 months past due, provided that certain actions described in the trust agreement have not occurred or are not occurring.

If a loan is purchased from a pool, its stated principal balance will be passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, a mandatory purchase of a loan from a pool will accelerate the rate of payment of principal on your certificates. See “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Purchases of Loans From Pools**” below.

We have the option to purchase mortgage loans from pools under certain conditions, which would accelerate the rate at which you receive a return of principal.

We have the option to purchase mortgage loans from pools if certain events occur. For example, we may purchase a loan if a court approves a plan for the borrower that affects one or more key terms of the mortgage loan or authorizes the transfer or substitution of all or part of the mortgaged property. Other events that permit us to purchase a mortgage loan from a pool are described in “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Purchases of Loans From Pools**” below.

If a loan is purchased from a pool, its stated principal balance will be passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, an optional purchase of a loan from a pool will accelerate the rate of payment of principal on your certificates.

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

Each seller that sells loans to us makes various representations and warranties about itself and the loans. For a description of the subjects covered by these representations and warranties, see “**FANNIE MAE PURCHASE PROGRAM—Seller Representations and Warranties**” below. If these representations and warranties were not true when made, we may require the seller to purchase the affected loans from your pool at any

time. The affected loans could include some or all of the loans in your pool.

If a loan is purchased from a pool, its stated principal balance will be passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, a breach of representation and warranty may accelerate the rate of payment of principal on your certificates. See “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Purchases of Loans From Pools**” below.

Recent developments in the residential mortgage market and the economy have led to increased defaults and are likely to have an adverse effect on the performance and market value of your certificates.

The residential mortgage market in the United States is experiencing unprecedented challenges and deteriorating economic conditions that are likely to have an adverse effect on the performance and market value of your certificates. Conditions in the housing and financial markets worsened dramatically in 2008 and in the first quarter of 2009. Home prices have continued to decline in most regions of the country and on a national basis and there has been an overall slowdown in the U.S. economy. The recent contraction in the availability of mortgage credit and declines in home prices have limited borrowers' ability to refinance their mortgage loans or sell their homes to avoid falling behind in their payments or defaulting on their mortgage loans. These conditions have contributed to an increase in serious delinquency rates on mortgage loans.

These worsening credit performance trends have been most notable in certain higher risk loan categories, in certain states and in certain origination years. Higher risk loans (including low or no documentation loans, interest-only loans, loans to borrowers with low credit scores, loans with high loan-to-value ratios), loans originated in the Midwest, which has continued to experience prolonged economic weakness, and in states that previously experienced rapid home price increases and are now experiencing steep home price declines, in particular California, Florida, Arizona and Nevada, and loans originated in 2006 and 2007 represent a disproportionately large share of seriously delinquent loans.

We expect that these adverse credit performance trends will continue and may accelerate. We also expect to continue to experience increased delinquencies and defaults on mortgage loans during the remainder of 2009. The amount by which delinquencies and defaults on mortgage loans increases will depend on a variety of factors, including the extent of national and regional declines in home prices, and the level of interest rates and employment rates. In particular, we expect that the current recession in the United States and the possible recession in other countries that are significant trading partners with the

We may purchase mortgage loans from a pool if borrowers default on their loans, resulting in prepayment of a portion of the principal on the certificates.

United States may increase unemployment and significantly increase the level of mortgage loan delinquencies and defaults.

At any time after a mortgage loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period extending from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan), we have the option to purchase the delinquent loan out of the pool. We may also, under certain circumstances set forth in our trust agreement (and as described below), purchase a delinquent loan if it has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period extending from the first missed payment date through the second consecutive payment date (or fourth consecutive payment date, in the case of a biweekly mortgage loan).

Factors affecting the likelihood of a borrower default include:

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

We consider a number of factors in deciding whether to purchase a delinquent mortgage loan from a pool. In addition, we may decide, or be directed by FHFA, as conservator, to exercise more frequently our option to purchase a delinquent mortgage loan from a pool as soon as the mortgage loan becomes eligible for purchase. See **“YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Purchases of Loans From Pools—Optional Purchases”** and **“—Trust Agreement Provisions and Servicing Policies and Practices Regarding Troubled Loans”** below.

If we purchase a delinquent mortgage loan from a pool, its stated principal balance will be passed through to certificateholders on the distribution date in the month after

Breaches of representations or warranties regarding compliance with anti-predatory lending laws may result in increased purchases of loans from pools, accelerating the rate at which you receive a return of principal.

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

the month in which the loan is purchased from the pool. Thus, our purchase of a delinquent loan has the same effect on the timing of certificate principal repayment as a borrower prepayment.

Many state and local governments have introduced or enacted legislation modifying or adopting anti-predatory lending laws. These state and local laws, as well as possible federal laws and regulations continue to evolve. We require sellers to make representations and warranties that loans delivered to us comply with all applicable federal, state and local laws, including laws intended to address predatory lending. We also require sellers to make representations and warranties that certain loans, including loans that may have unusually high annual percentage rates and fees associated with the origination of the loan, will not be delivered to us, even if they do not actually violate applicable laws. In addition, we have specific requirements with respect to anti-predatory lending practices, and we require sellers to make representations and warranties that they have complied with those requirements as well. If more loans become subject to such anti-predatory lending laws and violate the required representations and warranties, the number of loans we require sellers to purchase from pools may increase. If a loan is purchased, its stated principal balance will be passed through to certificateholders on the distribution date in the month following the month of purchase. Thus, the purchase of a loan from a pool due to a breach of a representation and warranty will accelerate the rate of prepayment of principal on your certificates.

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

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

Certificateholders in pools of adjustable-rate mortgage loans will receive interest at a rate that is the weighted average of the loan rates, net of our fees. That weighted average will change whenever a loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases of loans from a pool that includes loans with different interest rates will increase or decrease the effective yield to you.

Location

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

We purchase mortgage loans throughout the United States and its territories. A pool may include loans secured by property in one or several states, and may be relatively concentrated or diverse in location. Regional economic differences among locations may affect the likelihood that a borrower will prepay a loan and/or the likelihood that a borrower will become delinquent. Thus, the differences among geographic concentrations in pools may have an effect upon the extent to which the prepayment of a particular issuance of certificates will follow predicted prepayment speeds or average prepayment speeds of otherwise similar certificates issued at the same time. Furthermore, a natural disaster such as a hurricane, tornado or earthquake could severely impact the economy of a particular region for an extended period of time, thereby causing an increase in the number of defaults or repayments by borrowers. Such an event may result in accelerated principal payments to you and adversely affect the liquidity of your certificates.

LIQUIDITY FACTORS:

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

We cannot be sure that each new issuance of certificates, when created, will have a ready market, or, if a market does develop, that the market will remain during the entire term for which your certificates are outstanding. Therefore, it is possible that if you wish to sell your certificates in the future, you may have difficulty finding potential purchasers. Some of the factors that may affect the resale of certificates are:

- the method, frequency and complexity of calculating principal or interest on the loans or the certificates;
- the age of the mortgage loans in the pool;
- the outstanding principal balances or other characteristics of the mortgage loans in the pool;
- the outstanding principal amount of the certificates of that issuance and other issuances with similar features offered for resale from time to time;

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

The required cap on our mortgage portfolio in 2009 and the required reduction in our mortgage portfolio beginning in 2010 may adversely affect the liquidity of our certificates.

Our mortgage portfolio assets include a substantial amount of our MBS certificates. We have traditionally been an active purchaser of our certificates for a number of reasons, including helping to provide market liquidity for the certificates. The required cap on our mortgage portfolio and subsequent required reduction in our mortgage portfolio assets may restrict our ability to purchase our certificates, which may impair the liquidity of the certificates.

The occurrence of a major natural or other disaster in the United States or abroad could adversely affect national or regional economies and markets, disrupt our ability to conduct business, reduce investor confidence, and impair the liquidity and market value of the certificates.

It is impossible to predict whether a major natural or other disaster (such as a terrorist attack and accompanying governmental military actions) will occur in the United States or abroad or the extent to which such a major event would adversely affect your certificates. Any such major event, however, could have a serious adverse effect on the United States and world financial markets, on local, regional and national economies, and on real estate markets within or across the United States, which may result in an increase in the number of defaults on the

mortgage loans underlying the certificates or in prepayments by mortgage loan borrowers. This, in turn, could result in early payments of principal to holders of certificates of one or more issues.

Moreover, the contingency plans and facilities that we have in place may be insufficient to prevent a disruption in the infrastructure that supports our business and the communities in which we are located from having an adverse effect on our ability to conduct business. Substantially all of our senior management and investment personnel work out of our offices in the Washington, DC metropolitan area. If a disruption occurs and our senior management or other employees are unable to occupy our offices, communicate with other personnel or travel to other locations, our ability to conduct our business operations, including our ability to communicate with other personnel or with our lenders and servicers, may suffer, and we may not be successful in implementing contingency plans that depend on communication or travel.

Changes in general market and economic conditions in the United States and abroad and the current disruption in the mortgage credit market have materially affected, and may continue to materially affect, our business, results of operations, financial condition, liquidity and net worth.

The disruption of the international credit markets, weakness in the U.S. financial markets and national and local economies in the United States and economies of other countries that hold our securities, short-term and long-term interest rates, the value of the U.S. dollar compared with the value of foreign currencies, the rate of inflation, fluctuations in both the debt and equity capital markets, high unemployment rates and the lack of economic recovery from the credit crisis have materially affected, and may continue to materially affect, our business, results of operations, financial condition, liquidity and net worth. Moreover, the deteriorating conditions in the mortgage credit market have resulted in a decrease in the availability of corporate credit and liquidity within the mortgage industry and have caused disruptions to normal operations of major mortgage originators, including some of our largest customers. These conditions have resulted in less liquidity, greater volatility, widening of credit spreads and a lack of price transparency. Because we operate in the mortgage credit market, we are subject to potential adverse effects on our results of operations and financial condition due to our activities involving securities, mortgages, derivatives and other mortgage commitments with our customers. Any of these adverse effects could impair the liquidity and market value of the certificates of one or more issuances and/or limit our ability to continue to finance our business operations and fulfill our existing obligations, including our guaranty obligations to certificateholders.

CREDIT FACTORS:

Fannie Mae Credit Factors

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

If borrowers fail to make their mortgage loan payments on time or at all, or if a primary servicer fails to remit borrower payments to us, we are responsible for making payments under our guaranty. If, however, we fail to pay, or if our financial condition prevents us from paying, pursuant to our guaranty, the payments of principal and/or interest to certificateholders could be reduced and the timing of payments to certificateholders could be affected. Moreover, in this case, trust administration fees, securitized excess interest, certain servicing fees and delinquency advance reimbursements would be paid from mortgage loan payments before any payments of principal and interest to certificateholders.

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

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

Seller Credit Factors

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

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

Servicer Credit Factors

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

If a direct servicer experiences financial difficulties or becomes insolvent, its ability to effectively service mortgage loans may become impaired as its focus is more directed toward rebuilding financial strength through measures such as staff reductions. In some cases it may become necessary to transfer servicing to another more effective servicer. Less robust servicing practices before, during, or after the transition to a new servicer can exacerbate loan delinquencies and borrower defaults. Although our guaranty of timely payment of principal and interest covers such borrower delinquencies and defaults, an increase in borrower delinquencies and defaults could result in acceleration of prepayments on your certificates, if we decide to exercise our option to purchase such delinquent loans. See “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Purchases of Loans From Pools—Optional Purchases,**” and “**—Trust Agreement Provisions and Servicing Policies and Practices Regarding Troubled Loans**” below for a discussion of factors that impact whether we exercise our option to purchase delinquent mortgage loans.

FANNIE MAE

General

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

Under our Charter Act, we were created to:

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

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

We also issue mortgage-backed certificates, receiving guaranty fees for our guaranty to the MBS trust that we will supplement amounts received by the MBS trust as required to permit timely payments of principal and interest on the certificates. We issue mortgage-backed certificates primarily in exchange for pools of mortgage loans from lenders. By issuing mortgage-backed certificates, we further fulfill our statutory mandate to increase the liquidity of residential mortgage loans.

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

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

Regulatory Actions and Conservatorship

The Regulatory Reform Act became effective on July 30, 2008. The Regulatory Reform Act established FHFA as an independent agency with general supervisory and regulatory authority over Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. FHFA assumed the duties of our former regulators, OFHEO and HUD, with respect to safety, soundness and mission oversight of Fannie Mae and Freddie Mac. HUD remains our regulator with respect to fair lending matters.

On September 6, 2008, the Director of FHFA placed Fannie Mae into conservatorship and appointed FHFA as the conservator. Upon its appointment, FHFA immediately succeeded to all of our rights, titles, powers and privileges and those of any stockholder, officer, or director of Fannie Mae with respect to us and our assets. The conservator has the authority to take over our assets and operate our business with all the powers of our stockholders, directors and officers, and to conduct all business of the company. Under the Regulatory Reform Act, FHFA, as conservator, may take “such

action as may be necessary to put the regulated entity in a sound and solvent condition.” We have no control over FHFA’s actions or the actions it may direct us to take. The conservatorship has no specified termination date; we do not know when or how it will be terminated.

On September 7, 2008, Fannie Mae, through our conservator, entered into two agreements with Treasury. The first agreement is the Stock Purchase Agreement, which provided us with Treasury’s Commitment to provide up to \$100 billion in funding under specified conditions. This agreement was amended and restated on September 26, 2008 and was further amended on May 6, 2009 to increase Treasury’s Commitment to provide us with up to \$200 billion in funding. We issued 1 million shares of Senior Preferred Stock to Treasury pursuant to the Stock Purchase Agreement. We generally may draw funds under the Commitment on a quarterly basis when our total liabilities exceed our total assets, as reflected on our consolidated balance sheet prepared in accordance with GAAP as of the end of the preceding quarter. The other agreement is the Warrant, which allows Treasury to purchase, for a nominal price, shares of our common stock equal to 79.9% of the outstanding common stock of Fannie Mae. The Senior Preferred Stock and the Warrant were issued to Treasury as an initial commitment fee for Treasury’s Commitment.

On September 19, 2008, we entered into the Credit Facility with Treasury. The Credit Facility is a lending agreement with Treasury under which we may request loans from Treasury until December 31, 2009. To borrow from Treasury under the Credit Facility, we must post collateral in the form of our MBS certificates or Freddie Mac mortgage-backed securities to secure all such borrowings under the facility. Treasury is not obligated under the Credit Facility to make any loan to us.

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

Making Home Affordable Program

In March 2009, the Obama Administration announced the details of its Making Home Affordable Program. We have announced two programs under the Making Home Affordable Program that are available to Fannie Mae servicers and borrowers—Home Affordable Refinance and Home Affordable Modification. The Home Affordable Refinance Program offers refinancing flexibilities for homeowners whose loans are owned or guaranteed by Fannie Mae. Under this program, many borrowers refinancing an existing Fannie Mae loan will not be required to purchase new or additional mortgage insurance, although existing mortgage insurance may be carried forward to the new loan. In addition, under this program, borrowers may be eligible to refinance loans up to 105% of the home’s value, assisting homeowners whose current loan balances are greater than the current values of their homes. We refer to these homeowners as being “underwater.” In addition, lenders and mortgage brokers using Fannie Mae’s Desktop Underwriter® platform will be able to process refinance applications, allowing greater capacity and easier refinancing for borrowers. Through the Home Affordable Modification Program, Fannie Mae will work with loan servicers to assist distressed borrowers to modify their current mortgage loan into a mortgage loan that is more affordable and sustainable. Loan servicers participating in the program may reduce interest rates, lengthen the payment time frame or take other steps, such as principal forbearance, to bring the monthly payments down to approximately 31% of a borrower’s pre-tax income.

USE OF PROCEEDS

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

DESCRIPTION OF THE CERTIFICATES

We will issue the certificates pursuant to trust documents. For each issuance of certificates, there will be an issue supplement to the trust agreement. This prospectus relates to certificates issued on and after June 1, 2009, that are issued under our Single-Family Master Trust Agreement, effective as of January 1, 2009, as it may be amended from time to time pursuant to its terms (the “trust agreement”). For information about certificates issued before June 1, 2009, see the related prospectus that was in effect at the time of issuance of those certificates.

The Certificates

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

Occasionally, if so stated in the prospectus supplement, the certificates represent fractional undivided beneficial ownership interests in a pool of participation certificates, rather than in a pool of whole mortgage loans. We will hold the participation certificates, in our capacity as trustee under the trust agreement, for the benefit of all holders of certificates of the same issue. The description of the certificates throughout this prospectus is based on the more common scenario where the certificates represent interests in whole loans.

Issuance in Book-Entry Form

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

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

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

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

Distributions on Certificates

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

Interest Distributions

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

- For pools of fixed-rate loans, we will distribute one month's interest at the pass-through rate stated in the prospectus supplement.
- For pools of adjustable-rate loans containing no mortgage loans that permit negative amortization, we will distribute one month's interest at a variable pass-through rate (based on the rates of interest accruing on the loans), which we refer to as the pool accrual rate.
- For pools of adjustable-rate loans containing mortgage loans that permit negative amortization, we will distribute an amount equal to one month's interest at the pool accrual rate *minus* the aggregate amount of any deferred interest that is added to the principal balance of the loans during the related due period. During periods when the loans are negatively amortizing, although your certificate balance will be increasing (as deferred interest is added to the principal balance of the mortgage loans), the amount of interest you receive might not increase.

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

Interest Accrual Basis

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

Principal Distributions

On each distribution date, we will distribute to certificateholders, as payments of principal (as may be adjusted for any change in amortization resulting from a prepayment, but without giving

effect to any loss mitigation, including any loan modifications) on the certificates, an amount equal to the aggregate of the following amounts:

- the scheduled principal due on the mortgage loans in the pool during the related due period;
- the aggregate amount of all of the following unscheduled principal payments received during the applicable period, which will consist of the following:
 - the stated principal balance of each mortgage loan as to which a prepayment in full was received during the calendar month immediately preceding the month in which that distribution date occurs;
 - the stated principal balance of each mortgage loan that was purchased from the pool during the calendar month immediately preceding the month in which that distribution date occurs; and
 - the amount of any partial prepayment of a mortgage loan that was received, sometimes referred to as a curtailment, that occurred during the calendar month immediately preceding the month in which the distribution date occurs (during the second preceding calendar month, for pools of loans formed from our portfolio that are serviced on a basis that requires remittance of actual payments to us instead of scheduled payments).

Our direct servicers must elect whether they will treat prepayments in full received on the first business day of a month as if the prepayments actually were received on the last day of the preceding month. For example, if a prepayment is received on February 1st, it may be treated as if it had been received on January 31st. If it is so treated, the prepayment will be passed through on February 25th (or the next business day, if February 25th is not a business day). If the direct servicer has not chosen this treatment, the prepayment will be passed through on the distribution date occurring in the month following the calendar month in which it was actually received—March 25th in the above example.

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

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

For mortgage loans that provide for interest to be calculated on a daily or simple interest basis, the scheduled principal payment will be determined as the amount of principal that would have been due on the mortgage loan under an amortization schedule that assumes interest accrues monthly on the basis of a 360-day year consisting of twelve 30-day months, rather than on a daily or simple interest basis.

There are some instances when the distribution date for principal prepayments may differ slightly from the description above. Sometimes the direct servicer is unable to provide us with prepayment information in sufficient time to allow us to include the prepayment in the monthly pool factor for that distribution date. Additionally, we may not receive timely reporting information from the direct servicer in instances such as a natural disaster, terrorist attack, or other similar catastrophic event. In such instances, we will distribute to certificateholders only the scheduled principal payment amount (and accrued interest) on each applicable distribution date. Following our receipt and reconciliation of required prepayment information from the direct servicer, any principal prepayments that were received but not reported will be distributed to certificateholders on subsequent distribution dates.

Reports to Certificateholders

Monthly Reports

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

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

Tax Information

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

Trust Agreement

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

Fannie Mae Guaranty

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

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

For fixed-rate pools, we guarantee payment of an interest amount at the fixed pass-through rate stated in the prospectus supplement. For adjustable-rate pools, we guarantee payment of an interest amount at the pool accrual rate *minus* the aggregate amount of deferred interest, if any. Deferred interest, if any, is added to the principal balance of the mortgage loans.

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

If a direct servicer informs us that a borrower has become subject to the Servicemembers Civil Relief Act, as amended (Relief Act), or any similar federal or state laws, and we have not exercised our option to repurchase such loan (as described below), we will make payments to the trust under our guaranty for the difference between the amount of interest actually received from the servicemember and interest due to certificateholders.

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

- *first*, to payment of the trust administration fee and other amounts due to the trustee;
- *second*, (i) to payment of any securitized excess servicing fees and of any excess servicing fees that were designated to be securitized and (ii) if so provided in the related servicing contracts, to payment of all servicing fees (described below), any excess servicing fees that were not securitized or designated for securitization and all lender-paid mortgage insurance charges;
- *third*, to reimbursement of any delinquency advances previously made by the direct servicer or master servicer from its own funds, to the extent such advances are deemed non-recoverable by the advancing party;
- *fourth*, to payment of interest on the certificates; and
- *last*, all remaining funds to payment of principal on the certificates.

Our guaranty runs directly to the MBS trust and not directly to certificateholders. As a result, certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Certificateholders also have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Fannie Mae and Treasury, see "***—Certificateholder Rights Upon a Guarantor Event of Default***" below.

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

Collection and Other Servicing Procedures

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

Until collections are remitted to us for distribution to certificateholders, each direct servicer is required to deposit collections from borrowers into a custodial account, which may be either an insured demand deposit account or an account through which funds are invested in specified eligible investments. Custodial accounts must be established with eligible depositories and held in our name as master servicer or trustee unless otherwise specified in the related servicing contract. Funds in

custodial accounts may be commingled with funds from other Fannie Mae trusts. An eligible depository may be a Federal Reserve Bank, a Federal Home Loan Bank or a financial institution that (i) has its accounts insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF) or another governmental insurer or guarantor acceptable to us, (ii) satisfies the capital requirements of its regulator and (iii) meets specified minimum financial ratings provided by established rating agencies. Insured custodial account funds may be entitled to limited benefits under such insurance, in the case of a receivership or similar proceeding of an eligible depository. Governmental entities may, from time to time, take measures to alleviate the risk of insurance not being adequate; however, there can be no assurance (i) that such governmental actions will be sufficient to completely alleviate this risk or (ii) as to how long any measures taken by the governmental entities will remain in effect. In the event that such insurance were to be inadequate to cover amounts due to certificateholders, we would make payments to cover such amounts. Only if the related servicing contract permits may our direct servicers be entitled to interest earnings and other investment earnings on funds on deposit in the custodial accounts. Certificateholders are not entitled to any earnings generated from funds in the custodial accounts and are not liable for any losses in the custodial accounts.

Our direct servicers remit borrower collections to us monthly for distribution to certificateholders. These funds are deposited into a certificate account at an eligible depository. Funds held in the certificate account are held by us as trustee in trust for the benefit of certificateholders pending distribution to certificateholders. Amounts in any certificate account are held separately from our general corporate funds but are commingled with funds for other Fannie Mae trusts and are not separated on a trust by trust basis. We may invest funds in any certificate account in specified eligible investments, which may include our own debt instruments. We are entitled to all earnings on funds on deposit in each certificate account as a trust administration fee. Neither certificateholders nor any direct servicers are entitled to any earnings from any certificate account.

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

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

Removal of Successor Master Servicer

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

- the successor master servicer fails to deliver, or cause a direct servicer to deliver, funds for deposit to a certificate account on the applicable remittance date, and the failure continues uncorrected for one business day after written notice of the failure has been given by either the trustee or the holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer fails to perform in any material respect any of its other covenants and agreements, and the failure continues uncorrected for 60 days following the earlier of written notice of the failure being given by the trustee or by holders of certificates representing at least 25% of the voting rights of the related trust;
- the successor master servicer ceases to be eligible to serve as master servicer under the terms of the trust agreement; or

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

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

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

Certain Matters Regarding Our Duties as Trustee

We serve as trustee under the trust agreement. Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors, and the trustee will not be responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees, and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations as guarantor under the Fannie Mae guaranty.

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

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

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

Removal of Successor Trustee

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

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

certificates representing at least 25% of the voting rights of the related trust have given written notice of the failure to the successor trustee;

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

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

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

Guarantor Events of Default

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

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

Certificateholder Rights Upon a Guarantor Event of Default

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

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

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

During a receivership or future conservatorship, FHFA, acting as receiver or conservator, would have the authority to repudiate or transfer our guaranty obligations without the consent of the certificateholders. See “**RISK FACTORS—FANNIE MAE GOVERNANCE FACTORS.**”

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

Future Limitations on Certificateholder Rights under the Trust Agreement

If we are placed into receivership or if we emerge from the current conservatorship and are then placed into conservatorship again, certificateholders’ rights to remove the trustee, successor trustee, master servicer and successor master servicer may be restricted or eliminated. In addition, if we are placed into receivership or if we emerge from the current conservatorship and are then placed into conservatorship again, FHFA will have the authority to repudiate or transfer our guaranty obligations as well as our other obligations under the trust documents for each issuance of certificates. See “**RISK FACTORS—FANNIE MAE GOVERNANCE FACTORS**” above.

Voting Rights

Solely for purposes of giving any consent pursuant to the trust agreement, if any certificate is beneficially held by a party, including us, determined under applicable accounting rules to be the transferor (including its affiliates or agents) of mortgage loans, the certificate will be disregarded and deemed not to be outstanding for purposes of determining voting rights. As a result, the voting rights to which that party is entitled will not be taken into account in determining whether the requisite percentage of voting rights necessary to effect any such consent has been obtained, except with respect to matters involving an event of default by the guarantor or the trustee or matters requiring unanimous consent of the certificateholders.

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

Amendment

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

- correct an error or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or a prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that such cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents; or

- modify the trust documents to maintain the fixed investment trust status of a trust for federal income tax purposes.

No amendment to effect any of the actions listed in the second and third bullet points above may be made if it would otherwise require certificateholder consent unless that consent is obtained.

In addition, if holders of certificates with aggregate certificate principal balances of not less than 51% of the aggregate certificate principal balance of an issuance of certificates give their consent, we may amend the trust documents for a purpose not listed above, except that we may not do any of the following without the consent of all certificateholders of the related issuance of certificates:

- terminate or change our guaranty obligations;
- reduce or delay payments to certificateholders;
- take an action which materially increases the taxes payable in respect of a trust or affects the status of the trust as a fixed investment trust for federal income tax purposes;
- reduce the percentage requirement of certificateholders who must give their consent to any waiver or amendment; or
- make a change to the activities of the trust that would:
 - allow the seller of the mortgage loans to us (or allow Fannie Mae, in the case of a pool formed from loans in our portfolio) to regain control of the mortgage loans,
 - cause the trust to cease to be a qualified special purpose entity for accounting purposes, or
 - affect the interests (either adversely or positively) of a certificateholder in any way that would be viewed as significant by a reasonable person.

Termination

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

Merger

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

YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS

Effective Yield

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

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

Yield of Adjustable-Rate Certificates

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

- **The index.** All mortgage loans in a single pool have the same index, which will be identified in the prospectus supplement.
- **Initial fixed-rate period.** If the mortgage loans in the pool have an initial interest rate that is not based on the index, the certificates will have an interest rate that is also not initially based on the index. This will continue to be true until all of the mortgage loans in the pool have had their first rate adjustment date. Not all the mortgage loans in the pool will have the same first-rate adjustment date.
- **Mortgage margin.** On each rate change date for an ARM loan, the interest rate is typically adjusted to equal the sum of the index value available as of a recent date and the mortgage margin, each as specified in the mortgage note. The result is rounded according to the rounding convention stated in the mortgage note (usually to the nearest, next lower or next higher 1/8 or 1/4 of 1%).
- **Index change frequency.** If the interest rate on an ARM loan changes less frequently than the index value, changes in the effective yield on the certificates will lag changes in the index. A change in the index value will not necessarily cause an immediate change in the pool accrual rate. The pool accrual rate will only be affected as, and to the extent that, ARM loans in the pool experience interest rate adjustments.
- **Interest rate change dates.** Since not all the ARM loans in the pool will have the same rate change date, the index values upon which interest rate adjustments are based may vary among the loans in a pool at any given time.
- **The lookback period.** The lookback period creates a lag (45 days, unless the prospectus supplement specifies otherwise) between the index value upon which interest rate adjustments are based and the index value in effect at the time the interest rate on an ARM loan adjusts.
- **Interest rate caps and floors.** Interest rate caps and floors may prevent the interest rate on an ARM loan from increasing as high or declining as low as it would have, as a result of a change in the index value, had there been no interest rate floor or cap. Therefore, whenever one or more ARM loans in the pool are affected by a cap or a floor, the yield on the certificates usually will be affected.
- **Negative amortization.** For pools that include ARM loans that permit negative amortization, the yield on the related certificates can be affected in several ways.
 - *Principal may increase.* During periods when an ARM loan is negatively amortizing, the unpaid principal balance on the mortgage loan will be increasing, as deferred interest is added to the outstanding principal balance of the mortgage loan. The same amount is

also added to the outstanding principal balance of the certificates, so that the unpaid principal balance of the certificates equals the stated principal balance of the mortgage loans.

- *Interest payments may be affected.* When an ARM loan is negatively amortizing, certificateholders will be paid interest equal to only the portion of the borrower's scheduled payment for the related due period that is allocable to interest. This interest excludes the amount of any deferred interest. As a result, during periods when one or more ARM loans in the pool are negatively amortizing, certificateholders will receive less interest than they would have expected if they were calculating the anticipated interest solely on the outstanding certificate balance at the applicable pool accrual rate. Moreover, certificateholders will receive no scheduled principal payments with respect to these mortgage loans during periods of negative amortization.
- *Effect of periodic reamortization.* Whenever the ARM loans are reamortized under the terms of the mortgage notes, certificateholders' monthly interest payments will no longer be reduced by deferred interest and scheduled payments of principal will resume, unless another period of negative amortization occurs.
- ***Options to convert to fixed-rate loan.*** If the borrower exercises any option to convert an ARM loan to a fixed-rate mortgage loan, we will purchase the ARM loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate. We will purchase the loan at a price equal to its stated principal balance, together with one month's interest at its then-current pool accrual rate. The stated principal balance of that mortgage loan will be passed through to certificateholders, and will reduce the outstanding principal balance of the certificates, on the distribution date in the month following the month of purchase. As a result, the weighted average lives of the certificates for a pool of convertible ARM loans may be significantly shorter than for a comparable pool of non-convertible ARM loans.
- ***Prepayments and purchases of loans.*** Adjustable-rate pools generally contain ARM loans having several different interest rates. The certificateholders receive a rate of interest that is the weighted average of the loan interest rates, net of our fees. Thus, the resulting rate of interest for certificateholders will change whenever a loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and purchases among loans of different interest rates could increase or decrease the effective yield to certificateholders.
- ***Low initial interest rates and certain negative amortization loans.*** In some cases, prevailing market interest rates may be so low that the initial interest rate for an ARM loan is less than the applicable mortgage margin specified in the mortgage note. Therefore, the mortgage interest rate may not increase to an amount greater than or equal to the applicable mortgage margin until after one or more changes, depending on the applicable periodic caps. As a result, distributions of interest to certificateholders that are based on the initial mortgage interest rate for the loans in the pool may be less than the applicable MBS margin (which is the mortgage margin of a loan less the sum of the servicing fee and our guaranty fee on that loan). For certain types of negatively amortizing mortgage loans, a low initial interest rate combined with a short initial interest rate ("teaser") period of typically 1 to 3 months may result in significant amounts of deferred interest during the first few years of the loan term. This result may occur because the initial monthly payment, which is based upon the low initial interest rate, does not change when the interest rate adjusts up to the fully indexed rate.

Maturity and Prepayment Considerations

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

Loan prepayments may occur for a variety of reasons. Some of the chief reasons are discussed in this section. They are not all equally applicable to all pools, as they relate in part to features of the loans that differ among pools. Because of these variables, we cannot estimate the future prepayment experience of the mortgage loans in our pools.

Fully amortizing loans with equal monthly payments (including both fixed-rate loans and ARM loans that are reamortized each time the payment is adjusted) have most of their payments allocated to interest in the early years, with greater portions of the payments allocated to principal as the loans remain outstanding. For example, in the case of a fully amortizing loan with equal monthly payments and an original maturity of 30 years, if a borrower makes all scheduled payments (but no prepayments), one-half of the original principal balance of the loan will be repaid by the 20th to 23rd year, depending on the level of the mortgage interest rate of the loan. (Higher mortgage interest rates result in a slower scheduled amortization of principal.) Similarly, on a fully amortizing loan with equal monthly payments that instead has an original term of 15 years, if a borrower makes all scheduled payments (but no prepayments), one-half of the original principal balance of the loan will be repaid by the 8th to 10th year. These examples assume interest rates in the 4% to 7% range.

Balloon loans have equal monthly payments that are calculated on the basis of an amortization schedule (generally 30 years) that is a longer period of time than the contractual maturity date for the loan (typically 7 to 10 years). The remaining principal balance becomes due in a lump sum payment on the loan’s contractual maturity date. Only a small portion of the principal amount of the loans will have amortized before the balloon payment on the loan is due.

Some mortgage loans provide for the payment of interest only for an initial period, after which the payments are increased so that the principal balance of the loan fully amortizes over the remaining term. There is no scheduled amortization of principal during the interest-only period, and, assuming no prepayments by the borrower, the loan amortizes more slowly than does a loan of the same term and interest rate that provides for monthly payments of principal and interest from the outset. Certificates backed by pools of these loans likewise pay only interest for an initial period, except to the extent of borrower prepayments during the initial period. Any borrower prepayments of principal will be passed through to certificateholders, resulting in earlier than anticipated receipt of principal.

Biweekly Mortgage Loans

Most mortgage loans provide for monthly payments by the borrower. Biweekly mortgage loans, however, have terms that provide for payments by the borrower every 14 days. The amount that is due every 14 days is one-half of the amount that would have been due on an otherwise identical loan with 12 equal monthly payments. Since payments are made every 14 days, 26 payments are made per year (27 in some years). Therefore, biweekly payments are made as if there were one additional payment made each year (1 1/2 in some years) on a comparable monthly payment loan. In addition, because of the manner in which the biweekly payment amount is calculated, a biweekly loan with a higher interest rate will amortize more rapidly than an otherwise identical biweekly loan with a lower interest rate. Consequently, biweekly mortgage loans have a reduced term, when compared with otherwise identical monthly payment loans. This is because the principal balance of each loan is reduced every 14 days, and because the total dollar amount of payments made in a year is more than the total dollar amount of the payments made in a year on a monthly payment mortgage loan with the same principal balance and interest rate. Certificates backed by pools of biweekly mortgage loans have shorter stated maturities, usually in the range of approximately 20 years, as compared with certificates backed by monthly payment loans. Certificates backed by pools of biweekly loans with

higher interest rates will have shorter stated terms to maturity as compared with certificates backed by biweekly loans with lower interest rates.

Biweekly Collection Option Mortgage Loans

Unlike the traditional biweekly mortgage loans described above, which require biweekly payments for the entire term of a mortgage loan, some mortgage loans have terms that allow a borrower to switch between a biweekly and monthly payment during the mortgage term. If borrowers choose the biweekly payment option, then principal collections on these mortgage loans during that collection period may reduce the mortgage loan principal balance faster than if the principal balance of the mortgage loans was being reduced with monthly payments. If we include mortgage loans with a biweekly collection option in a pool, we will use a special prefix or prospectus supplement.

Borrower Refinancing

Generally, when current interest rates decline below the mortgage interest rates on existing loans, prepayments will increase. In a declining interest rate environment, borrowers often refinance their mortgage loans. When a borrower refinances a loan in a pool, the proceeds from the borrower's new loan pay off the loan in the pool. This results in a prepayment for the certificateholders. Certain ARM loans have long initial fixed-rate interest periods. Because of the potential for a significant rate increase for these loans at the first interest rate change date, borrowers may be more likely to refinance at the first change date or in anticipation of the first change date.

It is increasingly difficult to predict how far interest rates must decline before significant prepayments occur. This difficulty results from several developments. For instance, in recent years various lenders (in some cases in conjunction with us) instituted streamlined refinance procedures and liberalized fee structures and underwriting guidelines. These actions may increase the number of borrowers who are eligible for refinance loans, and may narrow the interest rate differential that would make refinancing attractive to borrowers. In addition, increased borrower sophistication regarding the benefits of refinancing and extensive mass solicitation of borrowers by lenders (including our mortgage loan servicers) may increase the frequency with which borrowers refinance their mortgage loans. Our customary policy permits lenders who service mortgage loans in our pools to advertise in a general manner their availability and willingness to make new refinancing loans, but does not permit them to specifically target borrowers whose loans are in our pools. Under our Home Affordable Refinance Program, we expect that lenders will solicit refinancings from borrowers on mortgage loans in our pools as well as from borrowers on mortgage loans that we hold as "whole loans" in our portfolio. See "**FANNIE MAE—Making Home Affordable Program**" above.

In the state of New York, it is common practice to modify existing mortgage loans in lieu of a traditional refinance where the previous mortgage is extinguished and a new mortgage is created. We treat these loans as a refinancing.

Loan Modifications

While we do allow lenders to purchase and modify certain non-performing loans under terms specified in our trust agreement and pursuant to our servicing policies and procedures, we generally prohibit a lender from (i) purchasing a performing mortgage loan from a pool for the purpose of making loan modifications or (ii) modifying a performing mortgage loan that is in a pool.

In the case of some adjustable-rate pools, however, a lender may purchase performing ARM loans in order to modify them as part of the lender's borrower retention strategy. The lender's purchases, however, must comply with our policy prohibiting lenders from specifically targeting in their solicitations borrowers whose performing loans are in our pools. Purchases of those ARM loans will result in an early prepayment of principal on the certificates in the same manner as borrower prepayments in full. We will specify in a prospectus supplement and by a separate subtype designation if a pool of performing ARM loans is subject to purchase for the purpose of modification. See "**THE MORTGAGE POOLS—Pool Prefixes and Subtypes**" below for information about subtype

designations. Otherwise, we generally do not permit lenders to purchase performing ARM loans from our pools for the purpose of modification.

Additionally, a lender may have modified a mortgage loan before delivering it to us. If the lender modified the loan in lieu of completing a traditional refinancing, we will disclose the loan as a refinance on the loan purpose table of a prospectus supplement. See **Exhibit B** at the end of this prospectus for further information.

Other Borrower Considerations

Prepayment rates are influenced by a variety of factors, including homeowner mobility and general economic circumstances. Certain mortgage loan features may also impact prepayment rates. For example, loans which permit borrowers to pay only accrued interest for extended periods of time without requiring any principal amortization may impact borrower decisions or reflect borrower's expectations regarding sale of the property or refinancing because the borrower will not have been required to reduce the principal balance of the loan. Furthermore, a borrower's payment of additional principal, a borrower's request to reamortize a mortgage after a large principal prepayment, a borrower's decision to enter into an agreement at loan origination to have the borrower's monthly payment cancelled or reduced (or in extremely limited circumstances, have the borrower's unpaid principal balance cancelled) in the event of an adverse event in the borrower's life, or a borrower's decision to enter into a biweekly payment option after origination, may affect the timing of prepayments and prepayment rates. Prepayments may also result from borrowers making additional principal payments in order to reduce their loan-to-value ratio to 80% and thereby eliminate their payment for mortgage insurance on a mortgage loan.

Additionally, certain ARM loans offer the borrower several specified payment options above the minimum required payment when the loan is negatively amortizing, as described under the heading "**THE MORTGAGE LOANS—Adjustable-Rate Mortgage Loans (ARMs)—Deferred interest/negative amortization ARMs**" below. The exercise of any of these payment options by a borrower may affect the prepayment rate on your certificates. Other factors that may influence a borrower's decision on prepayment are described below under the subheadings "**—Prepayment Premiums**" and "**—Due-On-Sale Clause.**"

Purchases of Loans From Pools

Under the trust agreement, we are required in some instances and have the option in other instances to purchase a mortgage loan or real estate acquired as a result of a default ("real estate owned property" or "REO property") from a pool. Any purchase of a mortgage loan will result in a prepayment of principal in full on the certificates in the same manner as would a borrower's prepayment in full. The purchase price of any mortgage loan we purchase will be equal to the loan's stated principal balance plus one month's interest at the pass-through rate for a fixed-rate mortgage loan or at the accrual rate for an ARM loan.

Mandatory Purchases. We are required as the issuer of the certificates to purchase a mortgage loan or REO property from a pool as soon as practicable for any of the following reasons:

- we determine or our regulator, a governmental agency, or a court determines that our acquisition of the mortgage loan was not permitted or a governmental agency or court requires us to purchase the mortgage loan from the pool to comply with applicable law;
- a governmental agency or court requires:
 - (i) the transfer of the mortgage loan or mortgaged property (other than a transfer to a co-borrower or a transfer under the loan documents or the trust agreement); or
 - (ii) the destruction of any improvements located on the mortgaged property, if as a result the remaining improvements are rendered uninhabitable or unsafe or the value of the property no longer provides adequate security for the mortgage loan;

- on the final distribution date of a trust, to the extent any mortgage loan or REO property remains in the trust;
- a mortgage insurer or mortgage guarantor (other than us) requires transfer of the mortgage loan or the REO property in order to obtain the benefits of the mortgage insurance or guaranty; or
- the mortgage loan is in default with respect to principal and interest payments and becomes 24 months past due, measured from the date on which the last installment of principal and interest was paid in full, unless one of the following has occurred or is occurring:
 - the borrower is complying with a loss mitigation alternative under which past due payments are required to be paid in full and the mortgage loan is required to be brought current;
 - the borrower and the direct servicer or master servicer are pursuing a pre-foreclosure sale of the related mortgaged property or a deed-in-lieu of foreclosure;
 - the direct servicer or master servicer is pursuing foreclosure of the mortgage loan;
 - applicable law (including bankruptcy law, probate law or a Relief Act) requires that foreclosure on the related mortgaged property or other legal remedy against the borrower or related mortgaged property be delayed and the period for delay has not elapsed;
 - the mortgage loan is in the process of being assigned to the mortgage insurer or guarantor (other than us); or
 - any other event occurs or course of action is taken as a result of which the extension of the 24-month period preceding the purchase of the mortgage loan would have no adverse tax consequences to the MBS trust (as evidenced by an opinion of tax counsel).

In addition, for certain pools (designated by prefix, subtype, and/or special disclosure), we are required as issuer of the certificates to purchase a mortgage loan or REO property from a pool before the effective date of any of the following events:

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

Optional Purchases. Under the trust agreement, we have the option as issuer of the certificates to purchase a mortgage loan from a pool for any of the following reasons:

- the occurrence of a material breach of a representation and warranty with respect to the mortgage loan that was made in connection with the sale of the mortgage loan to us or a material defect in the related mortgage loan documents;
- the mortgage loan does not conform in any material respect to the description of the mortgage loan in the prospectus supplement or issue supplement;
- there is an assumption of the mortgage loan, a transfer of an interest in the related mortgaged property (or a transfer of an interest in the borrower) and the assumption or transfer is made under circumstances that would trigger acceleration under a due-on-sale provision reasonably believed by either the master servicer or direct servicer to be enforceable under the terms of the mortgage note and the trust agreement; or
- the mortgage loan must be removed from the pool to preserve the fixed investment trust status of the MBS trust for federal income tax purposes.

In addition, we have the option as guarantor to purchase a mortgage loan from a pool for any of the following reasons:

- at any time after a mortgage loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the related mortgage loan documents, during the period extending from the first missed payment date through the fourth consecutive payment date (or eighth consecutive payment date, in the case of a biweekly mortgage loan), without regard to (i) whether any particular payment was made in whole or in part during the period extending from the earliest through the latest payment date, (ii) any grace or cure period with respect to the latest such payment date under the related mortgage documents, and (iii) any period during which a loss mitigation alternative is in effect (unless such loss mitigation alternative is deemed to cure the payment default, in which case the previous delinquency with respect to the mortgage loan will be disregarded for purposes of calculation of future delinquency on the mortgage loan);
- at any time after a mortgage loan has been in a state of continuous delinquency, without having been fully cured with respect to payments required by the related mortgage loan documents, during the period extending from the first missed payment date through the second consecutive payment date (or fourth consecutive payment date, in the case of a biweekly mortgage loan), without regard to (i) whether any particular payment was made in whole or in part during the period extending from the earliest through the latest payment date, (ii) any grace or cure period with respect to the latest such payment date under the related mortgage documents, and (iii) any period during which a loss mitigation alternative is in effect (unless such loss mitigation alternative is deemed to cure the payment default, in which case the previous delinquency with respect to the mortgage loan will be disregarded for purposes of calculation of future delinquency on the mortgage loan); provided, however, that we may purchase a mortgage loan pursuant to this provision only if, in connection with loss mitigation efforts, the direct servicer or the master servicer concludes, in its reasonable judgment and after evaluating a borrower's financial condition as well as the circumstances affecting the related mortgaged property, that a loss mitigation measure having one or more of the following effects (or that is otherwise impermissible under the trust agreement) is appropriate: that either (a) the loss mitigation measure would reduce the principal balance of a mortgage loan below its stated principal balance, (b) the loss mitigation measure would change the note rate to the extent the change would affect the pass-through rate, pool accrual rate, or the securitized excess servicing or excess servicing designated for securitization (unless we own such designated excess spread), or (c) delay the time of payment beyond the

last scheduled payment date of that mortgage loan (subject to certain provisions set forth in the trust agreement).

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

In deciding whether and when to purchase a loan from a pool, we consider a variety of factors, including: our loss mitigation strategies and the exposure to credit losses we face under our guaranty; our cost of funds; the effect that a purchase will have on our capital; relevant market yields; the administrative costs associated with purchasing and holding the loan; mission and policy considerations; counterparty exposure to lenders that have agreed to cover losses associated with delinquent loans; general market conditions; our statutory obligations under our Charter Act; and other legal obligations such as those established by consumer finance laws. The weight we give to these factors when determining whether to purchase a loan may change in the future depending on market circumstances or other factors.

Limitations on Timing of Certain Optional Purchases for Portfolio Pools

For certain of the optional purchases by us as guarantor described above, we are limited under the trust agreement as to when we may purchase a mortgage loan from a pool if the mortgage loans underlying the pool were originally sold to us and we subsequently pooled them from our portfolio. For these portfolio-formed pools, if the mortgage loan is eligible for purchase as a result of the third, fourth, or sixth bullets above, we can exercise our option to purchase the mortgage loan only during a specific purchase period. In these circumstances, the purchase period begins on the first day of the fiscal quarter that immediately follows the fiscal quarter in which we receive notice of the reason for the purchase and ends on the last day of that fiscal quarter. For example, if we have received notice on January 2nd of a bankruptcy plan affecting a mortgage loan and choose to purchase that loan, we may purchase the mortgage loan only during the period beginning on April 1st and ending on June 30th of the same year.

Trust Agreement Provisions and Servicing Policies and Practices Regarding Troubled Loans

We are committed to keeping a borrower in his or her home if there is a reasonable chance that the borrower can meet his or her mortgage obligation. We currently have a number of loss mitigation alternatives available to assist borrowers who are unable (or expect in the near future to become unable) to make their mortgage payments. We encourage our direct servicers to use these measures to help a borrower bring a mortgage loan current and avoid foreclosure. As the mortgage market evolves and new loss mitigation alternatives are created to deal with troubled borrowers, we may, at any time, expand the measures we use. At any given time and depending on a variety of factors (including, without limitation, those factors described above in “—***Purchases of Loans from Pools***”), we may employ certain alternatives more than others. For example, we may decide that during a particular time period we will conduct a streamlined modification initiative in which we offer modifications to particular groups of troubled borrowers who meet certain requirements and successfully complete certain remedial actions that we may request of them. As an example, the

recently announced Home Affordable Modification Program may increase the number of modifications that occur. This program has replaced our previously announced Streamlined Modification Program.

At other times, we may conduct our loss mitigation efforts much more on an individual, case-by-case basis. At other times still, we may use streamlined measures in conjunction with individual, case-by-case efforts.

The manner in which we conduct our loss mitigation efforts could impact the timing of prepayments of principal you receive on the certificates. Some loss mitigation measures occur while a troubled loan remains in a pool and others are used either outside of the pool (as an example, see Homesaver Advance™ described below) or after a loan is purchased from the pool.

Under the terms of our trust agreement, in certain circumstances and subject to certain restrictions, the direct servicer may use one or more permitted loss mitigation alternatives involving a concession in the payment terms for a troubled loan while it remains in the pool if: (x) the mortgage loan is in default, or (y) the direct servicer has determined that a payment default on a mortgage loan is reasonably foreseeable. The trust agreement requires a direct servicer to evaluate the borrower's financial condition as well as the condition of, and circumstances affecting, the mortgaged property in determining whether a payment default is reasonably foreseeable. The direct servicer may consider, as set forth in our trust agreement, a number of factors in making that determination. Pursuant to our servicing policies and practices, a direct servicer typically may consider a payment default to be reasonably foreseeable when the servicer is notified or becomes aware of an event that would cause the current borrower to become in default within the next 90 days.

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

Under forbearance arrangements, the direct servicer agrees to accept a reduced payment or forgo payment and not to pursue remedies for default against a borrower during the term of the forbearance. Under a repayment plan, a borrower repays delinquent amounts typically by making payments higher than the regularly scheduled payments until the mortgage loan is brought current. Loans subject to forbearance arrangements and repayment plans typically remain in a pool during the respective forbearance and/or repayment plan period. While our trust agreement does not limit the length of our forbearance arrangements or repayment plans, we have imposed limits under our servicing policies and practices. For example, when a direct servicer uses various loss mitigation alternatives in combination, we typically ask the direct servicer to limit the loss mitigation to 36 months in the aggregate, though a direct servicer may get permission from us to go beyond that period.

We also may use a loss mitigation measure referred to as Homesaver Advance. Under this measure, our direct servicer makes a new unsecured loan to the borrower in the amount of the delinquency, and the proceeds of the new loan are used to bring the delinquent mortgage loan current. We then acquire this new unsecured loan from the direct servicer. The borrower is obligated to make payments under this additional loan over an extended period of time, typically after a period of no or reduced payments. With this loss mitigation measure, a delinquent mortgage loan typically remains in the pool because it will be brought current. The new unsecured loan is our corporate asset and not an asset of the MBS trust holding the previously delinquent mortgage loan. The MBS trust is not entitled to any payments from the unsecured loan.

In a loan modification, the direct servicer, on our behalf, and the borrower enter into an agreement that revises the original terms of the mortgage loan and may provide for such terms

as a reduced interest rate on the loan, a reduced payment under the loan, capitalization of past due amounts as part of the principal balance, or an extension of the maturity of the loan. Although, as noted above, our trust agreement permits certain modifications to be made to a troubled mortgage loan while it remains in the pool, our current servicing policies and practices require us to purchase the mortgage loan from the pool prior to a modification becoming effective. We currently purchase a delinquent mortgage loan from the pool in order to modify it if we or our direct servicer believes that this is an appropriate loss mitigation technique. Prior to purchasing a loan to modify it, we may or may not have engaged in other loss mitigation techniques with respect to a particular mortgage loan.

Under our trust agreement and under our current servicing policies and practices, we may purchase a delinquent loan when our direct servicer confirms to us that four consecutive months have elapsed since the payment date to which monies totaling a full monthly loan payment were last applied by the direct servicer. For example, if a borrower makes the December 1st mortgage loan payment but fails to make the January 1st, February 1st, March 1st, and April 1st payments, the loan could be purchased from the pool under our current servicing policies and practices as soon as April 2nd.

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

Our trust agreement also allows us the flexibility, in certain circumstances (as described above under “—*Optional Purchases*”), to purchase a mortgage loan from a trust at any time after a delinquent mortgage loan has been in a continuous state of delinquency, without having been fully cured with respect to payments required by the mortgage documents, during the period from the first missed payment date through the second consecutive payment date. Under our current servicing policies and practices, we have instructed our servicers to use this additional flexibility in extraordinary circumstances and after obtaining our prior written consent. If we were to employ this flexibility more often, such action may increase prepayments of principal to you.

Depending on a particular troubled borrower’s circumstances, as part of our loss mitigation efforts we also may accept a “short payoff” of the mortgage loan, accept a deed-in-lieu of foreclosure, or foreclose on the mortgaged property. With a short payoff, the full principal amount of the loan would be due and we would accept less than the outstanding unpaid principal balance of the mortgage loan from sale or refinancing proceeds received by the borrower. If we accept a short payoff by the borrower, we would pass the stated principal balance of the mortgage loan through to certificateholders after the payoff (even if the stated principal balance is more than the payoff proceeds we receive). If we accept a deed-in-lieu of foreclosure or foreclose on the mortgaged property, the REO property typically is purchased from the related pool within 60 days after the date we accept the deed-in-lieu or the date the foreclosure sale is completed. In those cases, we pass the stated principal balance of the mortgage loan through to certificateholders after the purchase of the REO property from the pool. REO property must be purchased from a pool no later than the close of the third calendar year following the calendar year in which the trust acquired the REO property.

Prepayment Premiums

Some mortgage loans provide that the noteholder may charge the borrower a prepayment premium if the loan is paid in full or in part prior to its maturity. Prepayment premiums apply for the time period specified in the mortgage note (such as for three years after the loan’s origination). Prepayment premiums will not be paid to certificateholders, unless so stated in the prospectus supplement. If a prepayment premium provision is included in a mortgage loan, however, it may

affect a borrower's decision whether or when to sell the property, refinance, or otherwise pay off the mortgage loan. Thus, inclusion of prepayment premium provisions in mortgage loans may affect the speed with which the mortgage loans in a pool prepay. A direct servicer may or may not enforce a prepayment premium provision if the borrower chooses to refinance with the direct servicer that is servicing the borrower's mortgage.

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

We prohibit our direct servicers from charging or enforcing a prepayment premium when the prepayment arises because the borrower must sell the property to cure a default, or when enforcement of the prepayment premium is otherwise prohibited by law. We also encourage our direct servicers to waive enforcement of prepayment premiums on sales of homes to third parties.

Furthermore, state and federal laws may affect when or if a prepayment premium may be collected or may limit the prepayment premium that a lender may collect from a borrower when a mortgage loan is prepaid. We cannot ensure that imposition of a prepayment premium is enforceable under any of these laws or that a change in any law will affect a borrower's decision whether or when to sell the property, refinance, or otherwise pay off the mortgage loan.

Due-on-Sale Clause

Many fixed-rate loans include a provision (called a due-on-sale clause) stating that the lender can require payment in full if the borrower sells or transfers the related property. There are, however, several laws and provisions in the trust agreement that limit the enforceability of this provision. With fixed-rate mortgage loans, when a borrower sells or transfers the property securing a mortgage loan in a pool, we will either enforce the due-on-sale provision of the mortgage loan (except if we are prohibited by law or by the trust agreement from enforcing the provision) or purchase the mortgage loan from the pool. In either case, the principal of the mortgage loan will be paid to the certificateholders by the distribution date not later than the month following the month of prepayment or purchase of the mortgage loan.

Some fixed-rate mortgage loans may contain a provision that allows the mortgage loan to be assumed by new borrowers that meet certain eligibility standards. If a particular pool contains assumable fixed-rate mortgage loans, all of the mortgage loans in that pool will be assumable and the prefix of the pool will indicate this feature.

Most ARM loans contain a due-on-sale clause with an exception that generally permits a buyer of the related property to assume the mortgage loan under certain conditions, e.g., if the buyer meets the credit underwriting requirements of the lender or after an initial fixed period. For all other ARM loans, even those with terms that prohibit assumptions, we may permit buyers of the related properties to assume the loans if they meet credit underwriting requirements, unless the related prospectus supplement says otherwise.

Loans that are guaranteed or insured by a government agency typically contain clauses that provide that the mortgage loan will be assumable upon the sale of the related property, subject generally to the purchaser's compliance with the credit and underwriting guidelines of the governmental agency. However, some government agencies, such as the Department of Agriculture, through its Rural Development Housing and Community Facilities Program (RD) have informed us that their loans could be made due on sale upon the transfer of a property at a lender's election.

Subordinate Lien Mortgage Loans

Borrowers may be more likely to prepay subordinate lien mortgage loans than first lien mortgage loans for several reasons. Borrowers may not view subordinate lien loans as permanent financing. Compared to a first lien loan, the loan term of a subordinate lien mortgage loan is typically shorter (although a subordinate lien mortgage loan can have an original maturity of up to 30 years). The interest rate on a subordinate lien mortgage loan is typically higher than that of a first lien mortgage loan originated in the same interest rate environment. The principal amount is typically smaller, and its prepayment may, therefore, be easier for the borrower to fund. We are not aware of any reliable statistics or studies on the prepayment rates of subordinate lien mortgage loans.

THE MORTGAGE POOLS

We combine residential mortgage loans into pools and issue our guaranteed mortgage pass-through certificates, or MBS, which evidence beneficial ownership interests in the pooled loans. We may also create pools of participation interests in mortgage loans. For purposes of our description here, a participation interest is considered as if it were a separate mortgage loan, and payments on the participation interest are treated as if they were payments on the underlying loan. If we create a pool of participation interests, the prospectus supplement for your certificates will specify that the pool is composed of participation interests in mortgage loans.

Pool Prefixes and Subtypes

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

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

Monthly Pool Factor and Other Monthly Disclosures

We generally update certain information about the pool on an ongoing monthly basis on our Web site. Certificateholders should note that, unless otherwise stated in this prospectus or a prospectus supplement, information on our Web site is ***not*** incorporated by reference in this prospectus or in any prospectus supplement.

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

quartiles, which will provide quartiles of critical data elements regarding the underlying mortgage loans backing our fixed-rate securities.

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

These disclosures are made available each month on our Web site and in various financial publications.

Minimum Pool Size

Each of our pools will typically consist of either:

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

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

Mortgage Pool Statistics

In each prospectus supplement, we will set forth certain characteristics of the underlying mortgage loans in the pools. We will provide some of these characteristics both by a weighted average (or simple average, in some cases) for that pool and in a quartile distribution (including a maximum and a minimum). We will provide certain other characteristics in either tabular or quartile format only.

The statistics listed in each prospectus supplement will be the following (some of the statistics are only applicable to adjustable-rate mortgage loans and will not be found in a prospectus supplement for fixed-rate mortgage loans):

<u>Quartiles</u>	<u>Tabular</u>	<u>Additional Tabular for ARMs</u>
<ul style="list-style-type: none"> • Loan-to-Value Ratio • Credit Score • Loan Age • Loan Term • Loan Size • Coupon Rate • Remaining Maturity 	<ul style="list-style-type: none"> • Loan Purpose • Occupancy Type • Property Type • Origination Year • Geographic Distribution • Origination Type • Servicer (meaning the direct servicer) • Seller (available on the first page of the pool statistics) 	<ul style="list-style-type: none"> • Distribution by First Payment Date • Current Interest Rates • Next Rate Change Date Information • Loan Margins

A sample pool statistics section of a prospectus supplement that includes more detail on each of the above statistics is provided in **Exhibit B** at the end of this prospectus. For a description of how we obtain information provided in the pool statistics section, you should read the Pool Statistics Methodology section of **Exhibit B**. Certificateholders should determine for themselves how to

use the pool statistics. We may, from time to time, make additional data elements available to investors by including the data in the prospectus supplement.

THE MORTGAGE LOANS

Each mortgage loan in a pool is evidenced by a promissory note and secured by a deed of trust, mortgage or similar security instrument creating a first lien (or, if the prospectus supplement so states, a subordinate lien) on a one-to four-unit residential property. These may include manufactured housing loans and loans secured by pledges of ownership interests and assignments of occupancy rights in cooperative housing corporations. The loans bear interest at either a fixed or an adjustable rate. Each mortgage loan requires the borrower to make monthly payments of principal and interest, except as provided otherwise in the related prospectus supplement. Our pools include loans originated for the purpose of purchase or refinancing of one- to four-unit residential properties. The properties may be either owner-occupied or non-owner-occupied. Mortgage loans in our pools may be seasoned, meaning they were originated more than 12 months before pooling, or they may be newly originated, which means they were originated 12 months or less before pooling. Investors should consult the pool statistics portion of their prospectus supplement for further information regarding loan age.

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

Assignment of the Mortgage Loans

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

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

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

In connection with the creation of our trusts, we file a Uniform Commercial Code financing statement or UCC-1 against each mortgage loan seller. In the event of a bankruptcy or receivership of a seller, a court could determine that the mortgage loans were not sold to us but were pledged to

secure a financing. If as a result of any such determination mortgage loan payments were inadequate to cover the amounts due to certificateholders, we would make payments to the trust in an amount required to pay certificateholders what they are due.

Conventional and Government Mortgage Loans

Most of the loans included in our pools are conventional mortgage loans—that is, loans that are not insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA), the Department of Housing and Urban Development (HUD) or RD. We refer to non-conventional loans as government loans. We refer to pools consisting exclusively of government loans as government pools, which are designated by a separate pool prefix. All government loans, including RD-guaranteed loans and HUD Native American loans, will be included only in government pools.

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

Fixed-Rate Loans

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

Each fixed-rate pool will be designated with a distinct prefix, indicating that the mortgage loans in the pool are one of the following types. No fixed-rate pool may include mortgage loans of more than one of these types within the same pool, except that graduated payment mortgage loans and growing equity mortgage loans that have become eligible for inclusion may be pooled with fully amortizing loans.

- **Fully amortizing loans**—Each scheduled monthly payment of principal and interest is in the same amount and fully amortizes the principal of the loan over its term. The term is usually 10, 15, 20, 25, 30 or 40 years. The pool prefix indicates the general maturity of the loans in the pool.
- **Interest-only initially to fully amortizing equal payment loans**—During an initial period of time, no scheduled principal payment is due on the loan, and the borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. Consequently, during this initial period, distributions on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date following the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the mortgage interest rate plus principal in an amount that fully amortizes the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. Accordingly,

distributions on the certificates related to the new monthly payment (following the end of the initial interest-only period) will include scheduled principal (as well as unscheduled principal).

- ***Balloon loans***—Each scheduled monthly payment of principal and interest, except the final payment, is in the same amount. That amount is not sufficient, however, to amortize the loan fully over its term. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previously scheduled payment.
- ***Biweekly loans***—Each scheduled payment of principal and interest is in the same amount and fully amortizes the loan over its term. Payments are due every 14 days. The borrower's biweekly payment is equal to one-half the amount of the monthly payment for a fully amortizing 30-, 20-, 15-, or 10-year loan, as applicable, with the same principal amount and interest rate. Because the borrower's payments are due every 14 days, there are 26 payments in a year (or 27 in some years). Biweekly loans generally have two biweekly payments during ten months of the year and three payments in the other two months. In years with 27 payments, biweekly loans have two biweekly payments during nine months and three payments in the other three months.
- ***Graduated payment mortgage loans***—The scheduled monthly payments of principal and interest gradually increase over a fixed period of time, in accordance with a pre-set schedule. The early payment amounts are not sufficient to pay all of the accrued interest, so during the early portion of the term some of the interest is deferred. The only graduated payment mortgage loans that are eligible for inclusion in our fixed-rate pools are those as to which no further payment increases are scheduled and as to which no further interest will be deferred after the issue date of the related certificates.
- ***Growing equity mortgage loans***—The scheduled monthly payments of principal and interest gradually increase over a fixed period of time, in accordance with a pre-set schedule. The amount of the increases is applied solely to principal. The only growing equity mortgage loans that we include in our fixed-rate pools are those growing equity mortgage loans for which no future payment increases are scheduled after the issue date of the related certificates.
- ***Minimum servicing fee on fixed-rate pools***—We typically require a direct servicer to retain a minimum servicing fee of 25 basis points for each mortgage loan in our fixed-rate pools. However, if a pool contains loans with a minimum servicing fee that is below 25 basis points, we will indicate this feature by using a special prefix in the prospectus supplement. Initially, a direct servicer may deliver loans that have aggregate servicing fees that are equal to or greater than the applicable minimum. A direct servicer may, at a later date, securitize the amount in excess of the applicable minimum servicing fee and retain only the minimum servicing fee. In no event will the direct servicer retain less than the minimum servicing fee for a particular pool. However, securitization of any amount in excess of the minimum servicing fee after the issuance of a pool will not affect the rate of interest you receive on your certificates.

Adjustable-Rate Mortgage Loans (ARMs)

We will calculate interest for each adjustable-rate pool at a monthly rate, which we call the pool accrual rate. The pool accrual rate is equal to the weighted average of the mortgage interest rate (net of the sum of our servicing fee and our guaranty fee) for each ARM loan in that pool. Therefore, the pool accrual rate is not a fixed pass-through rate and generally will vary from month to month as the ARMs adjust, amortize or prepay. We refer to the sum of the servicing fee and our guaranty fee as our fee percentage. We refer to the difference between the ARM's mortgage margin (a percentage specified in a mortgage note) and our fee percentage as the MBS margin.

$$\begin{aligned}
\text{Pool Accrual Rate} &= \text{Weighted Average of} \\
&\quad (\text{Mortgage Interest Rate}^* - \text{Fee Percentage}^*) \\
\text{Fee Percentage}^* &= \text{Servicing Fee}^* + \text{Guaranty Fee}^* \\
\text{MBS Margin}^* &= \text{Mortgage Margin}^* - \text{Fee Percentage}^*
\end{aligned}$$

* For each loan in the pool.

ARMs generally have an initial fixed interest rate period during which the interest for the loans accrues at a fixed market rate that is not based upon an index or on the note's mortgage margin. Beginning on the first interest rate change date for each of the ARMs in a pool, the interest on the loans will accrue at a rate equal to the index value plus the mortgage margin (subject to rounding and to interest rate caps and floors).

In some adjustable-rate pools, the mortgage margin may be zero percent. Because we usually charge a fee percentage, where the mortgage margin is zero the MBS margin will be expressed as a negative value in the pool statistics. However, the pool accrual rate for pools containing these loans will still be equal to the weighted average of the mortgage interest rate (net of the sum of our servicing fee and guaranty fee) for each loan in the pool.

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

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

Increasing Fee Percentage Pools—For most pools, the fee percentage for each ARM remains constant for the life of the loan. For some pools, however, the fee percentage for each ARM in the pool will increase at the first interest rate change date for such loan. Thereafter, the fee percentage for each ARM will remain constant for the life of the loan. We refer to these pools as increasing fee percentage pools. If your pool has an increasing fee percentage, we will indicate this in the prospectus supplement. The pool accrual rate for increasing fee percentage pools will be calculated according to the same formula as set forth above for pools with fee percentages that remain constant. When the fee percentage increases, however, this will result in a pool accrual rate that will be lower than it otherwise would be if that pool did not have increasing fee percentage loans. After all the loans in a pool have reached their first adjustment, the amount of the difference in the pool accrual rate from what the pool accrual rate would be for that pool if that pool did not have the increasing fee percentage feature will equal the amount as calculated pursuant to the formula set forth in **Exhibit B** at the end of this prospectus.

The prospectus supplement will provide information about the MBS margin for your pool. Each month we make available updated MBS margin information for the pool on our Web site and in various financial publications.

An adjustable-rate pool will include loans of one of the types described below. Unless the prospectus supplement states otherwise, adjustable-rate pools will not include ARMs that commingle one or more of the features described below. The prospectus supplement will describe each of the following features to the extent they apply to a particular issuance of certificates.

- **Fully amortizing ARMs**—The interest rate adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount is adjusted to cover accrued

interest and full amortization of principal on a level payment basis over the remaining loan term, based on the current interest rate. Unless we specify otherwise in the applicable prospectus supplement, each loan included in an ARM pool is a fully amortizing ARM loan.

- ***Interest-only initially to fully amortizing ARMs***—For an initial period of time, the interest rate is typically a fixed rate and no scheduled principal payment is due on the loan. The borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the fixed rate. Consequently, during this initial period, distributions on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. Beginning on the payment due date of the last scheduled interest-only payment, the interest rate on the loan will begin adjusting in accordance with the provisions of the mortgage note to a rate based on the index and margin specified in the mortgage note. On the first payment due date following the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the new mortgage interest rate plus principal in an amount that fully amortizes the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. Accordingly, distributions on the certificates related to the new monthly payment (following the end of the initial interest-only period) will include scheduled principal (as well as unscheduled principal) and monthly interest based on the pool accrual rate then in effect.
- ***Deferred interest/negative amortization ARMs***—As with ARMs that do not permit negative amortization, the interest rate and payment amount of negatively amortizing ARMs adjust periodically during the term of the loan. However, an ARM that permits negative amortization features either an adjustment schedule in which the payment amounts are adjusted less frequently than the interest rate or a payment cap limiting the amount by which the payment can increase as a result of an interest rate increase, or, in some cases, both. In any case, this feature creates the possibility that after an interest rate adjustment, the monthly payment will be insufficient to cover the accrued interest. Whenever that occurs, the portion of interest that is not included in the payment amount will be added to the loan’s principal balance. This addition to principal is referred to as negative amortization. For certain of these negatively amortizing ARMs that require a minimum monthly payment in an amount that may be less than the full amount of monthly accrued interest, the direct servicer may offer the borrower the following incrementally higher payment options to achieve a particular aim:
 - A payment that covers only the full amount of monthly accrued interest;
 - A higher payment that would amortize the outstanding principal balance of the loan based on a 30-year amortization schedule; or
 - An even higher monthly payment that would amortize the outstanding balance of the loan based on a 15-year amortization schedule.

In a pool comprised of ARM loans that permit negative amortization, we may include negatively amortizing ARM loans that feature the above options as well as those that do not. However, even if a direct servicer does not specifically offer the above options, borrowers still may have the ability to make additional payments to reduce or avoid the effect of any negative amortization as well as to prepay principal.

- ***Fully amortizing ARMs with fixed-rate conversion option***—The interest rate and payments adjust in the same manner as fully amortizing ARMs, described above, unless the loan is converted. The borrower has the option to convert the interest rate to a fixed rate at specified times.
- ***Minimum servicing fee on ARM pools***—We typically require a direct servicer to retain a minimum servicing fee of 25 basis points for each mortgage loan in our adjustable-rate pools. However, if a pool contains loans with a minimum servicing fee that is below 25 basis points, we will indicate this feature by using a special prefix in the prospectus supplement. Initially, a

direct servicer may deliver loans that have aggregate servicing fees that are equal to or greater than the applicable minimum. A direct servicer may, at a later date, securitize the amount in excess of the applicable minimum servicing fee and retain only the minimum servicing fee. In no event will the direct servicer retain less than the minimum servicing fee for a particular pool. However, securitization of any amount in excess of the minimum servicing fee after the issuance of a pool will not affect the rate of interest you receive on your certificates.

How ARM loans work

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

- ***Initial fixed-rate period.*** For an initial period, interest on most ARM loans accrues at a fixed rate, which may not be based on the index value in effect at the time of the loan’s origination. The prospectus supplement will state the length of time from loan origination to the first interest rate change for the loans in the pool and the frequency of subsequent interest rate adjustments.
- ***Calculation of the adjustable interest rate.*** After the initial fixed-rate period, if any, the interest rate on the loan is adjusted at regular intervals specified in the mortgage note. On each rate change date, the interest rate is adjusted to equal the sum of the index value most recently available as of a date specified in the mortgage note plus an amount specified in the mortgage note and referred to as the mortgage margin. The result is rounded according to the rounding convention stated in the mortgage note (usually to the nearest, next lower or next higher 1/8 or 1/4 of 1%). Unless the prospectus supplement states otherwise, the index value used in this calculation is the index value that was most recently available as of the date that is 45 days before the adjustment date. (This 45-day period is referred to as the lookback period.)
- ***Interest rate caps and floors; payment change and payment caps.*** Most ARM loans contain periodic interest rate caps and floors, which limit the amount by which the interest can increase or decrease on each interest rate change date. The prospectus supplement will describe the periodic interest rate caps and floors that apply to the initial rate adjustment and to each subsequent interest rate adjustment. ARM loans also include a lifetime interest rate cap. The interest rate on the ARM loan can never exceed the lifetime interest rate cap, regardless of the applicable index value. Some ARM loans also have lifetime interest rate floors below which the interest rate cannot be set. Unless the prospectus supplement states otherwise, all payment adjustments on ARM loans will be effective in the month after each interest rate change and no payment caps (which limit the amount by which the payment can increase or decrease) will apply to the loans in the pool.
- ***Options to convert to fixed rate.*** Some ARM loans permit the borrower to convert the loan to a fixed interest rate loan at certain times specified in the mortgage loan documents. If the borrower exercises the right to convert the ARM to a fixed-rate loan, we will purchase the loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate. When repurchasing the loan, we will pay a price equal to its stated principal balance, together with one month’s interest at its then-current pool accrual rate. As a result, the weighted average lives of the certificates for a pool of convertible ARMs may be significantly shorter than for a comparable pool of non-convertible ARMs. In general, the new fixed rate is based on a spread of at least 0.375% above the net yield we require or the Federal Home Loan Mortgage Corporation requires when purchasing 30-year fixed-rate loans under short-term mandatory delivery commitments in effect at the time the ARM converts to its fixed rate. (If the original term of the convertible ARM is 15 years or less, the required net yield for 15-year fixed-rate loans is used.) Unless stated in the related prospectus supplement, we will not include convertible ARM loans in a pool. The prospectus supplement for a convertible ARM pool will specify the times when the ARMs may begin to accrue interest at a fixed rate.
- ***Negative amortization.*** Unless we specify otherwise in the prospectus supplement, the pool will contain no loans that have a possibility of negative amortization.

- **Payment change frequency and payment caps.** If the mortgage note permits negative amortization, there may be times when the monthly payment is insufficient to pay all of the interest that has accrued during the month. This usually occurs when payments are not adjusted as frequently as the interest rate adjusts, when a payment cap applies, or both. Payment caps and floors limit the amount by which the borrower’s payment can increase or decrease with each interest rate change, frequently to 7.5% above or below the amount of the monthly payment before the interest rate change. If a payment cap or floor applies, the prospectus supplement will so state. In either case, when this happens, the amount by which the payment is insufficient to pay the interest due is deferred and added to the principal balance of the mortgage loan. Interest then accrues on the new higher mortgage loan balance.
- **Periodic reamortization.** Most ARM loans that permit negative amortization provide for a full reamortization of principal periodically, usually five or ten years from the first payment due date for the loan and, then, every five years for the remainder of the loan term. These loans also usually provide that, between these dates of planned reamortization, if the addition of deferred interest to principal would cause the then outstanding principal balance of the loan to exceed a specified percent of the original principal balance, then the loan is reamortized. The levels that are most frequently specified to trigger this unscheduled reamortization are 110%, 115% and 125% of the original principal balance. Reamortization is the adjustment of the monthly payment amount to an amount sufficient to pay the then outstanding principal balance of the loan, together with interest at the then applicable rate, in equal monthly payments for its remaining term. This readjustment is made without regard to the caps on payment adjustments that would otherwise apply. If a loan permits negative amortization, the prospectus supplement will indicate the dates for scheduled reamortizations and the trigger level for unscheduled reamortizations.
- **Rate adjustments upon assumption.** ARM loans generally permit the purchaser of the real property that secures the loan to assume the loan, provided that the purchaser is creditworthy. For additional information about the rules that apply in this circumstance, see “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—Maturity and Prepayment Considerations—Due-on-Sale Clause**” above. In some cases, at the time of the assumption, the maximum and minimum interest rates, mortgage margin or payment may be reset to take into account then-prevailing market interest rates. If a pool includes loans that provide for resets of any of these features at the time a loan is assumed, the prospectus supplement will indicate that we will purchase from the pool any ARM loan prior to the effective date of such reset.

ARM Indices

Some of the most frequently used indices are described below. The prospectus supplement for each pool will specify the index used (which may be one described below or a different one) to determine the mortgage interest rates for the mortgage loans in the pool. We make no representations as to the continued availability of these indices or the date on which the index is published or made publicly available. If an index becomes unavailable, we generally will use a comparable index.

- **US Treasury Indices:** The weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (One-Year Treasury Index), three years (Three-Year Treasury Index), five years (Five-Year Treasury Index) and ten years (Ten-Year Treasury Index), in each case as made available by the Federal Reserve Board.⁽¹⁾ These indices are sometimes referred to as the constant maturity Treasury or “CMT” indices.

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

- *WSJ LIBOR Indices*: The average of the London Interbank Offered Rates for six-month (Six-Month WSJ LIBOR Index) and one-year (One-Year WSJ LIBOR Index) United States dollar-denominated deposits, as published in *The Wall Street Journal*.
- *COFI Index*: The 11th district monthly weighted average cost of funds index of the Federal Home Loan Bank of San Francisco, as made available by the Bank (COFI Index).⁽²⁾

Uniform Hybrid Adjustable-Rate Mortgage Pools

A pool may contain certain ARM mortgage loans that have fixed interest rates for an initial period of years and then adjust annually after this initial period. We call these ARM mortgage loans “hybrid ARMs.” Certain pools of these hybrid ARMs will be designated with a specific prefix and a subtype indicating that the pool is composed entirely of loans with a uniform set of attributes. We refer to this type of pool as a “uniform hybrid ARM” pool. Generally, the initial fixed interest rate period for these uniform hybrid ARMs will be 3, 5, 7, or 10 years. When we identify these uniform hybrid ARMs by prefix and subtype, they will not be pooled with hybrid ARMs of a different type.

A pool of uniform hybrid ARMs has a structure that combines both fixed and weighted attributes. All uniform hybrid ARM pools will have a fixed MBS margin. Also, all uniform hybrid ARM pools will have a fixed pool accrual rate in an increment of 1/4 of 1% (0.25%) until the first interest rate adjustment date for the mortgage loans in the pool. After this initial adjustment, the pool accrual rate will equal the weighted average of the mortgage interest rates (net of our fee percentage) of the ARM loans. Although the first interest rate adjustment dates vary among the mortgage loans in the pool, they are all within a specified range that is more constricted than the range for most other hybrid ARM products.

All uniform hybrid ARMs will have an initial fixed interest rate period that is a specified range of scheduled payments. As an example, for the uniform hybrid ARM with an initial period of five years (“5/1 uniform hybrid ARM”), this range will be 54 to 62 scheduled payments. During this period, the initial interest rate for each of the ARMs in the pool will be fixed at a competitive market rate. After the initial fixed-rate period, the mortgage interest rate will vary annually in response to the One-Year WSJ LIBOR Index and subject to certain interest rate caps described below and in the related prefix and subtype. The adjustable mortgage interest rate will be equal to (i) the One-Year WSJ LIBOR Index value that is most recently available 45 days before the interest rate change date plus (ii) a specified percentage that a lender sets when the ARM loan is originated.

All uniform hybrid ARMs will be subject to certain periodic and lifetime interest rate caps (as specified in the related prefix and subtype). The following is an example of this cap structure using the 5/1 uniform hybrid ARM. At the first annual interest rate change date, the mortgage interest rate may not be adjusted to a rate that is more than five percentage points above or below the initial interest rate. Additionally, at any subsequent annual interest rate change date for the 5/1 uniform hybrid ARM, the mortgage interest rate may not be adjusted to a rate that is more than two percentage points above or below the previous mortgage interest rate. Finally, the lifetime cap for the 5/1 uniform hybrid ARM will not allow the mortgage interest rate to adjust to a rate that is more than five percentage points above the initial interest rate. We refer to the lifetime cap as the maximum mortgage interest rate. Furthermore, the mortgage interest rate for each of the ARMs in any uniform hybrid ARM pool may never decrease to less than the related mortgage margin. We call this the minimum mortgage interest rate.

The uniform hybrid ARMs in a pool generally will not be assumable until the expiration of the initial fixed-rate period. See “**YIELD, MATURITY, AND PREPAYMENT CONSIDERATIONS—**

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

Maturity and Prepayment Considerations—*Due-on-Sale Clause*” above. The original terms of the uniform hybrid ARMs may range up to 30 years.

Fannie Majors

Each Fannie Majors® pool is composed of a single mortgage type originated within 12 months of the issue date and usually exceeds \$200 million at issuance. Some Fannie Majors pools are larger than \$500 million. Fannie Majors pools are backed by fixed-rate, ARM, or balloon mortgage loans. Fannie Majors pools are generally larger and potentially more geographically diversified than non-Fannie Majors pools and typically contain mortgage loans delivered to us by multiple lenders. However, some Fannie Majors pools may settle with loans from only a single lender.

During the month of issuance of a Fannie Majors pool, we may issue book-entry securities with respect to initial deliveries of loans made into the pool and before all final deliveries are made. Consequently, if you receive your security earlier in the month of issuance, your pro rata interest in the Fannie Majors pool at that time will not reflect changes due to future deliveries of mortgage loans until later that month. During the month of issuance, we will periodically publish the cumulative outstanding security balance of each open Fannie Majors pool from its issue date through the current business day on our Web site at www.fanniemae.com. The cumulative outstanding security balance will be updated as new securities are issued under each open Fannie Majors pool until that Fannie Majors pool is closed to further deliveries at the end of the month. We also will publish an interim prospectus supplement for each portion of the Fannie Majors pool that settles during the month. In addition to the interim prospectus supplements, we publish a final prospectus supplement, as we do with all of our single-family MBS pools. Fannie Majors pools are identified by the same set of prefixes assigned to single-lender pools.

Special Feature Mortgage Loans

The following types of mortgage loans are sometimes treated separately in establishing loan pools. These loans may have either a fixed or an adjustable interest rate, and may have payment structures of one or more of the types described above with respect to fixed-rate and ARM loans.

Relocation Loans

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

If a pool contains more than 10% of relocation loans, the pool prefix, in the case of fixed-rate pools, will identify the pool as a “relocation loan pool,” and the pool statistics portion of the prospectus supplement will show the percentage of relocation loans in the pool. For adjustable-rate pools containing more than 10% of relocation loans, the pool statistics portion of the prospectus supplement

will identify the pool as a “relocation loan pool” and will show the percentage of relocation loans in the pool. Relocation loans also may be included in other pools. When this occurs, the relocation loans in such pools will not exceed 10%, by aggregate principal balance, of the pool on its issue date.

Cooperative Share Loans

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

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

In addition to making the monthly mortgage payment, the borrower generally must pay a proportional share of real estate taxes on the housing project and of any blanket mortgage loan payments owed by the cooperative housing corporation and secured by the housing project. If the borrower fails to do so, the cooperative housing corporation can terminate the borrower’s occupancy rights. In addition, the borrower’s occupancy rights are subordinate to the lien of any blanket mortgage loan on the housing project. If the corporation should default on its blanket mortgage loan, the holder of the corporation’s blanket mortgage loan (which could be Fannie Mae, given that we purchase such blanket mortgage loans under our multifamily programs) could foreclose on the housing project and terminate the occupancy rights of the borrower. This increases the likelihood of a purchase of the cooperative share loan out of the pool due to borrower default, and a resulting prepayment of principal on the related certificates.

It is often the case that a single lender will have made several cooperative share loans to residents of the same housing project, and those loans may be included in the same pool. In that case, the certificateholders that have invested in the related issuance of certificates would be significantly at risk for multiple loan purchases, and resulting prepayment of principal on the certificates, arising from a default by that particular cooperative housing corporation under its blanket mortgage loan.

If a pool contains more than 10% of cooperative share loans, the pool prefix, in the case of fixed-rate pools, will identify the pool as a “cooperative share loan pool,” and the pool statistics portion of the prospectus supplement will show the percentage of cooperative share loans in the pool. For adjustable-rate pools containing more than 10% of cooperative share loans, the pool statistics portion of the prospectus supplement will identify the pool as a “cooperative share loan pool” and will show the percentage of cooperative share loans in the pool. Cooperative share loans also may be included in other pools. When this occurs, the cooperative share loans in such pools will not exceed 10%, by aggregate principal balance, of the pool on its issue date.

Buydown Mortgage Loans

To induce people to buy homes, builders and sellers of homes, or other interested parties, including lenders, may agree to pay some of the costs of the loan, including subsidizing the monthly mortgage payments for an agreed period of time. This arrangement, which we refer to as a “buy-down,” may enable borrowers to qualify for loans, even though their available funds ordinarily would not enable them to do so.

A pool may contain significant temporary interest rate buydown loans, which are buydowns of more than two percentage points below the note rate or a buydown that is extended for more than two

years. If a pool contains more than 10% of significant temporary interest rate buydown mortgage loans, the pool prefix, in the case of fixed-rate pools, will identify the pool as a “significant temporary interest rate buydown mortgage loan pool,” and the pool statistics portion of the prospectus supplement will show the percentage of significant temporary interest rate buydown mortgage loans in a pool. For adjustable-rate pools containing more than 10% of significant temporary interest rate buydown mortgage loans, the pool statistics portion of the prospectus supplement will identify the pool as a “significant temporary interest rate buydown mortgage loan pool” and will show the percentage of significant temporary interest rate buydown mortgage loans in the pool. Significant temporary interest rate buydown mortgage loans also may be included in other pools. When this occurs, the significant temporary interest rate buydown mortgage loans in such pools will not exceed 10%, by aggregate principal balance, of the pool on its issue date.

Loans with Original Principal Balances that Exceed our Traditional Conforming Loan Limits

In recent years, the U.S. Congress has passed several statutes which have provided us with either temporary or permanent authority to purchase mortgage loans that exceed our general conforming loan limit (currently \$417,000 for one-unit properties in the continental United States) because the properties securing those loans are in certain “high-cost” areas. See “**FANNIE MAE PURCHASE PROGRAM—Mortgage Loan Eligibility Standards—Conventional Loans—Dollar Limitations**” below for additional information regarding our general conforming loan limits and our ability to purchase mortgage loans that exceed this general conforming loan limit in certain “high-cost” areas. We generally pool these mortgages that exceed our general conforming loan limit based on their origination date and their original principal balances.

Mortgage loans with an origination date on or after October 1, 2008 and with an original principal balance exceeding our general conforming loan limit but equal to or less than \$729,750 generally may be included in our CI and CL prefix pools (and in any other securities eligible for “good delivery” for a “TBA” or “to be announced” trade). We typically refer to these mortgage loans as “high-balance” mortgage loans. These loans will be limited to 10% of any particular TBA-eligible pool, as determined by the issue date unpaid principal balances of the mortgage loans. If the concentration of high-balance mortgage loans originated on or after October 1, 2008 exceeds the 10% threshold set forth above in any one pool, the pool will be assigned a CJ or CK prefix, as applicable. Any mortgage loans originated prior to October 1, 2008 and having an original principal balance that exceeds our general conforming loan limit will also only be included in certain, designated non-TBA prefixes such as CJ and CK.

Generally, all single-family conventional loan prefixes other than those mentioned above and balloon prefixes, including prefixes for ARM pools, and subject to our eligibility and credit restrictions, may include an unlimited concentration of mortgage loans that are greater than our general conforming loan limit and that we are authorized to purchase. You should review the pool statistics portion of the applicable prospectus supplement for additional information regarding the loan size of the mortgage loans in your pool.

If a fixed-rate mortgage loan was originated between July 1, 2007 and September 30, 2008 and its original principal balance exceeds \$625,500, we typically refer to such mortgage loan as a fixed-rate jumbo-conforming mortgage loan. Fixed-rate jumbo-conforming mortgage loans originated subsequent to March 1, 2008 will only be included in pools designated with certain prefixes such as CJ and CK and will not be included in our TBA eligible pools. Fixed-rate jumbo-conforming mortgage loans originated prior to March 1, 2008 will be included only in “J” prefix pools. See “—**“J” Prefix Pools for Fixed-Rate Mortgage Loans**” below.

A lender may, at its option, also elect to treat fixed-rate mortgage loans originated between July 1, 2007 and September 30, 2008 that have an original principal balance greater than our general conforming loan limit but less than or equal to \$625,500 as a jumbo-conforming mortgage loan.

Adjustable-rate mortgage loans originated between (and including) March 1, 2008 and December 31, 2008 with an original principal balance that exceeds \$625,500 will be included only in pools designated with certain prefixes and would be considered a jumbo-conforming mortgage loan. Such adjustable-rate mortgage loans originated prior to March 1, 2008 will be included in pools designated with certain additional ARM prefixes and would be considered a jumbo-conforming mortgage loan.

A lender may, at its option, also elect to treat adjustable-rate mortgage loans originated between July 1, 2007 and December 31, 2008 that have an original principal balance greater than our general conforming loan limit but less than or equal to \$625,500 as a jumbo-conforming mortgage loan.

In any case, any pool containing mortgage loans designated by a lender as jumbo-conforming mortgage loans will contain a table in the pool statistics portion of the prospectus supplement showing the percentage of the pool that consists of jumbo-conforming mortgage loans.

TBA Eligibility Summary

<u>Loan Origination Date</u>	<u>Balance of Mortgage Loan*</u>	<u>Eligible for TBA subject to 10% Limitation</u>
Between October 1, 2008 — December 31, 2009	Up to \$729,750	Yes

* These balances reflect the maximum dollar eligibility limitation for one-unit properties in high-cost areas in the continental United States. For additional detail, please see below under “**FANNIE MAE PURCHASE PROGRAM—Mortgage Loan Eligibility Standards—Conventional Loans—Dollar Limitations**”. For mortgage loans originated between October 1, 2008 and December 31, 2008, with original principal balances that exceed \$625,500 (but less than or equal to \$729,750), and that are secured by properties in certain “high-cost” areas, we must have acquired that loan in 2009 for it to be included in TBA-eligible pools.

“J” Prefix Pools for Fixed-Rate Mortgage Loans

If over 15% of the aggregate principal balance of a pool on its issue date is composed of at least two types of the first three special feature mortgage loans described above (relocation loans, cooperative share loans, and buydown loans, but excluding high-balance mortgage loans), we will designate the pool with a special “J” prefix. For example, if relocation mortgage loans constitute 9% and buydown mortgage loans constitute 8% of a pool, the pool will be designated with a “J” prefix, and the percentages of each category of mortgage loans will be included in the pool statistics portion of the prospectus supplement. The “J” prefix also may be used to call attention to additional special disclosure characteristics that are included in a prospectus supplement for certain fixed-rate pools. Additionally, the “J” prefix will be used to indicate that the pool contains fixed-rate jumbo-conforming mortgage loans originated from and including July 1, 2007 through February 29, 2008.

Community Reinvestment Act Mortgage Loans

Many lenders that sell loans to us are required to ensure that they meet the credit needs of their entire community, including low- and moderate-income neighborhoods, pursuant to the Community Reinvestment Act. Mortgage loans originated to meet the Community Reinvestment Act objectives are subject to our eligibility and underwriting criteria and policies as we may waive or modify them from time to time. In addition, the mortgaged properties may be concentrated in low- and moderate-income neighborhoods and localities. The prospectus supplement for certain pools may include loan-level details regarding the census tract information of the properties securing the mortgage loans, the borrowers’ income levels and loan balances, or information on how and when these loan-level details can be obtained at a later time. An investor must make its own determination as to whether a particular pool meets the Community Reinvestment Act objectives or other objectives relevant to that particular investor.

Reperforming Government Mortgage Loans

Some pools are composed entirely of FHA and VA mortgage loans that were ninety days or more delinquent during the twelve months immediately prior to issuance of the certificates. The pool prefix

or the prospectus supplement will indicate if this is the case. These loans are referred to as reperforming mortgage loans because all the mortgage loans in the pool will be current as of the date of issuance of the related certificates. Reperforming FHA and VA mortgage loans may experience more delinquencies and a faster rate of prepayment than mortgage loans without similar delinquency histories.

FANNIE MAE PURCHASE PROGRAM

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

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Conventional Loans

Dollar Limitations

The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. These limitations, which we refer to as our “general” conforming loan limits, typically are adjusted annually. As of January 1, 2009, our general conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is \$417,000, except for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, where it is \$625,500. Our general conforming loan limit as of January 1, 2009 for conventional loans secured by first liens on residences containing two dwelling units is \$533,850, three dwelling units is \$645,300 and four dwelling units is \$801,950, except for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands, where in each case the limit will be 50% higher.

ARRA – Granted us temporary authority to use the higher of two conforming loan limits established by ESA and HERA for loans secured by properties in certain designated “high-cost” areas.

HERA – Amended our Charter Act by establishing “high-cost” area conforming loan limits for high-balance mortgage loans in addition to the current general conforming loan limits described above. For a one-family residence, the high-cost conforming loan limit for high-balance mortgage loans is equal to 115% of the area’s median house price, up to a maximum of 150% of the general conforming loan limit (which maximum is currently \$625,500 for a first lien loan secured by a one-family residence). If the result of such calculation for any area under this formula is lower than the general conforming loan limit, the loan limit for that area will be the general conforming loan limit. Higher original principal balance limits may apply to mortgage loans secured by two- to four-family residences and also to loans in Alaska, Hawaii, Guam and the Virgin Islands. A list of high-cost areas affected by this legislation is available on www.fanniemae.com.

ESA – Increased the conforming loan limit in certain “high-cost” areas for loans originated between July 1, 2007 and December 31, 2008. For a one-family residence, the loan limit increased to 125% of the area’s median house price, up to a maximum of \$729,750. If the loan limit in any area under this formula is lower than \$417,000, the loan limit for that area will be \$417,000. Higher original principal balance limits may apply to mortgage loans secured by two- to four-family residences and also to loans in Alaska, Hawaii, Guam and the Virgin Islands. A list of high-cost areas affected by this legislation is available on www.fanniemae.com.

Our conforming loan limit for mortgage loans secured by subordinate liens on single-family one- to four-unit residences is 50% of the general conforming loan limit for first lien loans secured by one-unit residences. This means that as of January 1, 2009, the conforming loan limit for subordinate lien loans is generally \$208,500, except in Alaska, Guam, Hawaii and the Virgin Islands, where it is generally \$312,750. In addition, the aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of the applicable first lien conforming loan limit for single-family one- to four-unit residences. We may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase in addition to the limits imposed under the Charter Act and by Congress

Loan-to-Value Ratios

The Charter Act generally requires us to obtain credit enhancement whenever we purchase a conventional mortgage loan secured by a single-family one- to four-unit residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to us covering the amount in excess of 80% (at the time of purchase), repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. In February 2009, FHFA determined that the Home Affordable Refinance Program (described above) is permissible under the Charter Act. In our discretion, we may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

From time to time, pursuant to the Charter Act, we may also acquire loans that do not require credit enhancement if the acquisition is in connection with our loss mitigation objectives.?

Our loan-to-value ratio requirements for loans we purchase vary depending upon a variety of factors which, for example, can include the type of loan, the loan purpose, loan amount, number of dwelling units in the property securing the loan, repayment terms, seller creditworthiness, and borrower credit history. Depending upon these factors, the loan-to-value ratio generally does not exceed 105%. Any pool in which the loan-to-value ratios of the loans exceeds 105% is designated by a distinct prefix indicating that the loans contained in that pool have loan-to-value ratios that exceed 105%. Investors should review the pool statistics portion of the related prospectus supplement for specific information about loan-to-value ratios for loans in their pool.

Underwriting Guidelines

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

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

Alternative or Reduced Documentation and No Documentation Mortgage Loans (Alt-A Loans)

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

Some common Alt-A loan products include (but may not be limited to) the following:

Stated Income: the borrower's income is stated on an application but is not verified by the lender. Typically, borrower's employment history and assets are verified.

Stated Assets: the borrower's assets are stated on an application but are not verified by the lender. Typically, source and amount of income are verified.

No Income: the borrower's income is neither stated nor verified. Borrower's assets are both disclosed and verified.

No Asset: the borrower's assets are neither stated nor verified. Borrower's income is both disclosed and verified.

Stated Income and Stated Assets: the borrower's income and assets are stated on an application, but the lender verifies neither. Typically, the borrower's employment history is verified.

No Income/No Asset: the borrower's income and assets are neither stated nor verified.

In some instances, the borrower may initiate a request for an Alt-A loan product. In other instances, the lender may suggest that the borrower apply for one of these products or the lender may use one of these products to expedite the approval process for a mortgage loan.

For a number of reasons, including limited verification procedures, Alt-A loans (especially those resulting from borrower-initiated requests) have an increased likelihood of default and thus may cause early prepayment of principal to you. Alt-A loans (especially those resulting from borrower-initiated requests) may prepay more slowly than full documentation loans because the borrower may have fewer options for refinancing, which may result in a slower return of principal to you.

Effective January 1, 2009, we no longer purchase newly originated Alt-A loans. However, we may continue to purchase Alt-A loans that are not newly originated and that meet acceptable eligibility and underwriting guidelines. Therefore, your pool may still contain alternative or reduced and no documentation loans in any concentration.

Mortgage Loan Eligibility Standards—Government Insured Loans

Dollar Limitations

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

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

Currently, we purchase VA mortgages up to our general conforming loan limit, secured by similar one- to four-unit properties. We may, in the future, adjust this policy to accommodate changes to VA's maximum guaranty amount limits.

The RD has no maximum dollar limit for loans it guarantees. We will purchase RD mortgages up to our general conforming loan limit, secured by similar one- to four-unit properties.

Loan-to-Value Ratios

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

Underwriting Guidelines

FHA-insured, VA-guaranteed and RD-guaranteed mortgage loans that we purchase must be originated in accordance with the applicable requirements and underwriting standards of the agency providing the insurance or guaranty. Each insured or guaranteed loan that we purchase must have in effect a valid mortgage insurance certificate or loan guaranty certificate. In the case of VA loans, the unguaranteed portion of the VA loan amount cannot be greater than 75% of the purchase price of the property or 75% of the VA's valuation estimate, whichever is less.

Seller and Servicer Eligibility

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

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

We enter into a written mortgage selling and servicing contract with each seller and direct servicer we approve, under which, among other things, such seller and/or direct servicer agrees to maintain the foregoing attributes to our satisfaction.

Servicing Arrangements

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

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

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

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

Servicing Compensation and Payment of Certain Expenses

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

Seller Representations and Warranties

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

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

We rely on these representations and warranties at the time of purchase to ensure that loans meet our eligibility standards. After purchase, we perform random quality control reviews of selected loans to monitor compliance with our guidelines, our eligibility standards and applicable laws and regulations. We can require a seller or direct servicer to purchase a loan if we find a material breach of representations and warranties. For a discussion of how these purchases can affect the performance of the certificates, see **“RISK FACTORS—PREPAYMENT FACTORS: *Property / Credit / Purchase Risk*—We may require a seller to purchase some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate at which you receive a return of principal”** above.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

U.S. Treasury Circular 230 Notice

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

Internal Revenue Service Guidance Regarding the Certificates

In Revenue Ruling 84-10, 1984-1 C.B. 155, the Internal Revenue Service set forth certain federal income tax consequences relating to investments in the certificates issued with respect to a pool. Pursuant to Revenue Ruling 84-10, a pool will not be classified as an association taxable as a corporation for federal income tax purposes. Instead, a pool will be classified as a fixed investment trust, and, under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as

amended (the “Code”), each beneficial owner of a certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the mortgage loans included in that particular pool.

Although Revenue Ruling 84-10 does not specifically address participation interests in mortgage loans, other IRS pronouncements clearly indicate that the holdings of Revenue Ruling 84-10 are equally applicable to a certificate backed by a pool consisting (in whole or in part) of participation interests. Revenue Ruling 84-10 also does not contemplate (i) the mandatory purchase of ARMs from pools pursuant to a borrower’s exercise of an option to convert an ARM to a fixed-rate mortgage loan, (ii) the difference between the biweekly payments of interest received under biweekly loans from mortgagors and the monthly payments of interest made to beneficial owners of certificates, or (iii) the differences between the principal and interest amounts received from mortgagors under mortgage loans that provide for the daily accrual of interest and the monthly payments of principal and interest made to beneficial owners of certificates. However, our special tax counsel, Dechert LLP, has rendered an opinion to us that the conclusions of Revenue Ruling 84-10 will be applicable to ARM pools, biweekly mortgage pools and pools that include mortgage loans providing for the daily accrual of interest.

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

Application of Revenue Ruling 84-10

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

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

Original Issue Discount

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

Market Discount

A beneficial owner that acquires a mortgage loan for less than its principal amount generally has market discount in the amount of the difference between the principal amount and the beneficial

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

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

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

Section 1272(a)(6)

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

Premium

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

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

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

Accrual Method Election

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

Expenses of the Trust

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

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

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

Sales and Other Dispositions of Certificates

Upon the sale, exchange or other disposition of a certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the certificate. The adjusted basis of a certificate generally will equal the cost of the certificate to the beneficial owner, increased by any amounts of original issue discount and market discount included in the beneficial owner's gross income with respect to the certificate, and reduced by distributions on the certificate previously received by the beneficial owner as principal and by any premium that has reduced the beneficial owner's interest income with respect

to the certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents original issue discount or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held the certificate for more than one year. The ability to deduct capital losses is subject to limitations.

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

Special Tax Attributes

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

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

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

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

Cooperative Share Loans

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

Escrow Mortgage Loans

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

Buydown Loans

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

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

Government Mortgage Loans

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

Loans Secured by Manufactured Homes

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

Mortgage Loan Servicing

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

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

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

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

Information Reporting and Backup Withholding

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

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

Foreign Investors

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

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

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

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

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

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities, you may be or may become subject to restrictions on investment in certain certificates of an issuance, including, without limitation, restrictions that may be imposed retroactively. If you are a financial institution that is subject to the jurisdiction of the

Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, the Office of Thrift Supervision, the National Credit Union Administration, Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the certificates of an issuance. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any certificate. **You should consult your own legal advisors to determine whether and to what extent the certificates of an issuance constitute legal investments or are or may become subject to restrictions on investment and whether and to what extent the certificates of an issuance can be used as collateral for various types of borrowings.**

ERISA CONSIDERATIONS

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

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

LEGAL OPINION

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

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Frequently Used Single-Family MBS Pool Prefixes

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

- CA** Conventional Long-Term, Level-Payment Mortgages; Single-Family; assumable.
- CI** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.
- CJ** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. Pool meets any of the following criteria: (i) pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through December 31, 2008, (ii) more than 10% of the pool issue balance is comprised of loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by Housing and Economic Recovery Act for “high-cost areas;” (iii) pool contains loans originated before October 1, 2008 with an original principal balance up to the loan limit established by Housing and Economic Recovery Act for “high-cost areas.”
- CK** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. Pool meets any of the following criteria: (i) pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through December 31, 2008, (ii) more than 10% of the pool issue balance is comprised of loans originated on or after October 1, 2008 with an original principal balance up to the loan limit established by Housing and Economic Recovery Act for “high-cost areas;” (iii) pool contains loans originated before October 1, 2008 with an original principal balance up to the loan limit established by Housing and Economic Recovery Act for “high-cost areas.”
- CL** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.
- CN** Conventional Short-Term, Level-Payment Mortgages; Single-Family; maturing or due in 10 years or less.
- CT** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.
- CX** Conventional Balloon, Level-Payment Mortgages; Single-Family; maturing or due in seven years or less.
- CZ** Conventional Extra Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in forty (40) years or less.
- GA** Government, Adjustable-Rate Mortgages; Single-Family. Pool may contain certain higher balance FHA loans originated on or after March 6, 2008.
- GL** Government, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. Pool may contain certain higher balance FHA loans originated on or after March 6, 2008.
- GO** Government, Level-Payment Mortgages; Single-Family; each pool is comprised entirely of loans which were delinquent for 90 days or more during the 12 months prior to the Pool Issue Date. All loans are current as of the Pool Issue Date.
- JI** Conventional Intermediate-Term Mortgages; Single-Family; maturing or due in 15 years or less. Pool meets any of the following criteria: (i) more than 15% of pool issue balance is comprised of loans with more than one special product characteristic (as defined in the Fannie Mae Guides), (ii) pool contains loans with one or more other unique characteristics (see individual Prospectus Supplement for details), or (iii) pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.

- JL** Conventional Long-Term Mortgages; Single-Family; Initial Terms greater than 15 years. Pool meets any of the following criteria: (i) more than 15% of pool issue balance is comprised of loans with more than one special product characteristic (as defined in the Fannie Mae Guides), (ii) pool contains loans with one or more other unique characteristics (see individual Prospectus Supplement for details), or (iii) pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.
- K0** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in greater than 15 years but less than or equal to 30 years. The pool issue balance is comprised entirely of loans that have a three-year prepayment premium provision.
- K1** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a three-year prepayment premium provision.
- KI** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.
- KL** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.
- LA** Adjustable-Rate Mortgage; Single-Family; uniform 5/1 hybrid; indexed to the one-year Wall Street Journal London Interbank Offered Rate (LIBOR); five-year initial fixed period; 5% cap initial interest rate adjustment, 2% cap subsequent interest rate adjustments, with a 5% lifetime cap. Minimum servicing of 12.5 basis points; stated MBS pool accrual rate in initial fixed period and stated MBS margin.
- LB** Adjustable-Rate Mortgages, Single-Family, LIBOR, lifetime caps are pool-specific.
- LC** Conventional Adjustable-Rate Jumbo-Conforming Mortgages, Single-Family, London Interbank Offered Rate (LIBOR); pool contains jumbo-conforming loans with an origination date beginning July 1, 2007 through February 29, 2008.
- LD** Conventional Adjustable-Rate Mortgages, Single-Family, London Interbank Offered Rate (LIBOR); Pool contains jumbo-conforming loans with an origination date beginning March 1, 2008 through December 31, 2008.
- NP** Conventional Long-Term; Single-Family; commencing with Interest Only period greater than or equal to seven years and less than or equal to 10 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- RE** Conventional Long-Term, Level-Payment Relocation Mortgages; Single-Family.
- S1** Conventional Long-Term Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices; maturing or due in thirty (30) years or less. Minimum Servicing Fee on each loan in the pool is 12.5 basis points.
- S2** Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices; maturing or due in forty (40) years or less. Minimum Servicing Fee on each loan in the pool is 12.5 basis points.
- WD** Adjustable-Rate Mortgages; Single-Family; indexed to the one-year Treasury Constant Maturity; extended fixed initial period; annual changes thereafter; various caps at first adjustment; 2% per interest rate adjustment thereafter; lifetime caps are pool-specific.
- WS** Conventional Adjustable-Rate Mortgages; Single-Family. Includes a wide variety of ARM types and indices.
- WZ** Conventional Extra Long-Term Mortgages; Single-Family; includes a variety of ARM types and indices; maturing or due in forty (40) years or less.

Exhibit B

ALL INFORMATION IN THIS EXHIBIT IS FOR ILLUSTRATIVE PURPOSES ONLY AND SHOULD NOT BE DEEMED TO REPRESENT ANY ACTUAL ISSUANCE. FURTHERMORE, CERTAIN INFORMATION WILL ONLY BE APPLICABLE TO ADJUSTABLE-RATE MORTGAGES. PLEASE SEE THE POOL STATISTICS METHODOLOGY SECTION FOLLOWING THIS SAMPLE FOR FURTHER INFORMATION ON THE POOL STATISTICS DISCLOSED BY THIS SAMPLE PROSPECTUS SUPPLEMENT.

**FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED JUNE 01, 2009**

\$1,167,254.00

ISSUE DATE JUNE 01, 2009

SECURITY DESCRIPTION FNAR 01.2345 WD-123456

3.2240 INITIAL POOL ACCRUAL RATE

FANNIE MAE POOL NUMBER WD-123456

CUSIP 12345ABC1

**PRINCIPAL AND INTEREST PAYABLE ON THE 25TH OF EACH MONTH
BEGINNING JULY 25, 2009**

POOL STATISTICS

⁽¹⁾ SELLER	ABC SELLER
⁽¹⁾ SERVICER	XYZ SERVICER
NUMBER OF MORTGAGE LOANS	6
⁽²⁾ AVERAGE ORIGINAL LOAN SIZE	\$194,725.00
⁽¹⁰⁾ MATURITY DATE	06/01/2039
⁽³⁾ INITIAL INTEREST RATE CHANGE DATE	05/01/2014
⁽⁴⁾ WEIGHTED AVERAGE MONTHS TO ROLL	59 mo
SUBTYPE	204W
CONVERTIBLE	NO
TRANSFER TYPE	W (Wire)
PASS THROUGH METHOD	W (Weighted)
⁽⁵⁾ WEIGHTED AVERAGE COUPON RATE	3.8490%
⁽⁶⁾ MAXIMUM POOL ACCRUAL RATE	9.2240%
⁽⁷⁾ MINIMUM POOL ACCRUAL RATE	0.0000%
⁽⁸⁾ WEIGHTED AVERAGE LOAN AGE	1 mo
⁽⁹⁾ WEIGHTED AVERAGE LOAN TERM	360 mo
⁽¹⁰⁾ WEIGHTED AVERAGE REMAINING MATURITY	359 mo
⁽¹¹⁾ WEIGHTED AVERAGE LTV	73%
⁽¹¹⁾ WEIGHTED AVERAGE CLTV	73%
⁽¹²⁾ WEIGHTED AVERAGE CREDIT SCORE	690
⁽¹²⁾ % UPB WITHOUT CREDIT SCORE	25.7%
⁽¹³⁾ % UPB WITH 1st PAYMENT DUE – ISSUE + 2 MONTHS	0.0000%
⁽¹⁴⁾ % UPB WITH THIRD PARTY ORIGINATION	57.27%

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
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FANNIE MAE POOL NUMBER WD-123456
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POOL STATISTICS PAGE 2 OF 4

⁽¹⁵⁾**QUARTILE DISTRIBUTION**

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

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

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

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

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

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

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

⁽¹⁶⁾**LOAN PURPOSE**

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

⁽¹⁷⁾**PROPERTY TYPE**

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

⁽¹⁸⁾**OCCUPANCY TYPE**

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

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
 SUPPLEMENT TO PROSPECTUS DATED JUNE 01, 2009
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1
POOL STATISTICS PAGE 3 OF 4

⁽¹⁹⁾NON-STANDARD LOANS

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

⁽²⁰⁾DISTRIBUTION OF LOANS BY FIRST SCHEDULED AMORTIZATION

First Scheduled Amortization	Original Interest Rate	# Of Loans	Aggregate UPB
06/01/14	4.01 – 5.00	4	\$778,169.82
07/01/14	4.01 – 5.00	2	389,084.80

⁽²¹⁾ORIGINATION YEAR

Year	# Of Loans	%	Aggregate UPB
2009	6	100.00	\$1,167,254.62

Year	# Of Loans	%	Aggregate UPB

⁽²²⁾GEOGRAPHIC DISTRIBUTION

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

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

SERVICER (See Footnote (1) below)

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

⁽²³⁾ORIGINATION TYPE

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

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
 SUPPLEMENT TO PROSPECTUS DATED JUNE 01, 2009
FANNIE MAE POOL NUMBER WD-123456
CUSIP 12345ABC1
POOL STATISTICS PAGE 4 OF 4

(24) **DISTRIBUTION OF LOANS BY FIRST PAYMENT DATE**

Date	Original Interest Rate	# Of Loans	Aggregate UPB
06/01/09	BELOW – 5.00	4	\$778,169.82
07/01/09	BELOW – 5.00	2	389,084.80

CURRENT INTEREST RATES

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

(25) **GROSS MARGINS**

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

(26) **NEXT RATE CHANGE DATE TABLE**

Date	% Of Bal	MBS Margin High	MBS Margin Low	MBS Margin	Net Coupon High	Net Coupon Low	Wtd Avg Net Coupon	Net Life Caps High	Net Life Caps Low	Net Life Floor High	Net Life Floor Low
05/01/13	63.0000	2.1250	2.1250	2.1250	3.6250	2.8750	3.2370	9.6250	8.8750	0.0000	0.0000
06/01/13	37.0000	2.1250	2.1250	2.1250	3.3750	3.1250	3.1990	9.3750	9.1250	0.0000	0.0000
Wt Avg		2.1250			3.2240			9.2240		0.0000	

POOL STATISTICS METHODOLOGY

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

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

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

⁽¹⁾*Seller and Servicer*

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

⁽²⁾*Average Original Loan Size*

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

⁽³⁾*Initial Interest Rate Change Date*

For adjustable-rate mortgage loans, we state the first interest rate change date of the loan that has the earliest first interest rate change date in the pool.

⁽⁴⁾*Weighted Average Months to Roll*

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

⁽⁵⁾*Weighted Average Coupon Rate*

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

⁽⁶⁾*Maximum Pool Accrual Rate*

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

⁽⁷⁾*Minimum Pool Accrual Rate*

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

⁽⁸⁾Loan Age

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

⁽⁹⁾Loan Term

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

⁽¹⁰⁾Remaining Maturity

On the issue date, we will calculate both a weighted average and a quartile distribution of the calculated maturity for the underlying mortgage loans. The calculated maturity for a mortgage loan is the number of months remaining until the borrower will pay off his mortgage loan, assuming that a borrower makes all future scheduled required payments on time as set forth in the mortgage note but makes no additional prepayment after the date of calculation. The calculated maturity for a loan may be earlier than the maturity date stated in the note if a borrower has made any partial prepayments prior to the date of calculation. The maturity date of a pool as stated in the prospectus supplement is the latest calculated maturity for any of the underlying mortgage loans, as calculated on the issue date for such pool.

⁽¹¹⁾Loan-to-Value Ratio

We will calculate both a weighted average and a quartile distribution of the loan-to-value ratios for the mortgage loans, which are expressed as percentages. We generally require the loan-to-value ratio of an underlying mortgage loan in a pool to be a comparison of the delivery date unpaid principal balance of the mortgage loan and either (1) in the case of a purchase, the lower of the sales price of a mortgaged property or its appraised value at the time of a sale or (2) in the case of a refinancing, the appraised or estimated value of the mortgaged property at the time of refinancing. However, we sometimes use other methods to determine the value of a mortgaged property. For instance, the loan-to-value ratio for some mortgage loans that are refinancings is based on a comparison of the delivery date unpaid principal balance of that loan and the value that was determined at the origination of the mortgage loan being refinanced. In any case, appraisals or other valuation methods are merely estimates of the mortgaged property values and may not reflect the actual amount received upon sale or liquidation. For pools containing government mortgage loans, such as mortgage loans insured by FHA or guaranteed by VA, we do not provide loan-to-value ratios.

We will also provide a weighted average combined-loan-to-value ratio or CLTV. The CLTV reflects the loan-to-value ratio inclusive of all liens secured by a mortgaged property.

⁽¹²⁾Credit Score of Borrowers

Credit scores are often used by the financial services industry to evaluate the quality of borrowers' credit. Credit scores are typically based on a proprietary statistical model that is developed for use by credit data repositories. These credit repositories apply the model to borrower credit information to come up with a credit score. One statistical model used widely in the financial services industry was developed by Fair, Isaac & Company, Inc. ("Fair Isaac"). This model is used to create a credit score called the FICO® score. FICO scores can vary depending on which credit repository is using the Fair Isaac model to supply the score. FICO scores, as reported by the credit repositories,

may range from a low of 300 to a high of 850. According to Fair Isaac, a high FICO score indicates a lesser degree of credit risk.

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

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

We provide the percent of the aggregate issue date unpaid principal balance of mortgage loans in a pool that do not have their first scheduled principal payment due until the second due period following the issue date of the certificates. Certificateholders will receive no scheduled principal payment on the first distribution date (but will receive interest) with respect to that percentage of loans.

⁽¹⁴⁾Percentage UPB with Third Party Origination

We will provide the percent of the aggregate unpaid principal balance of mortgage loans in a pool that were originated by a third party.

⁽¹⁵⁾Quartile Calculations

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

⁽¹⁶⁾Loan Purpose

We will provide information as of the issue date, in a tabular format, on the number of mortgage loans in a pool that are either refinance mortgage loans or purchase money mortgage loans. We also will provide the aggregate dollar amount of these mortgage loans and the percentage of the entire pool (by unpaid principal balance) that these loans constitute. Additionally, mortgage loans that may

have been modified prior to delivery to us in lieu of a traditional refinance will be shown as refinance in this table.

⁽¹⁷⁾Property Type

We will provide information as of the issue date, in a tabular format, on the number of mortgage loans in a pool that are secured by one unit properties and by two to four unit properties. We also will provide the aggregate dollar amount of these mortgage loans and the percentage of the entire pool (by unpaid principal balance) that these loans constitute.

⁽¹⁸⁾Occupancy Type

We will provide information as of the issue date, in a tabular format, on the number of mortgage loans in a pool that, as of their respective origination dates, were secured by principal residences, second homes, or investment properties. We also will provide the aggregate dollar amount of these mortgage loans and the percentage of the entire pool (by unpaid principal balance) that these loans constitute. The actual occupancy of the properties as of the issue date has not been verified.

⁽¹⁹⁾Non-Standard Loans

We will provide information as of the issue date, in a tabular format, regarding the number of mortgage loans, the percentage of the pool's issue date unpaid principal balance, and the aggregate unpaid principal balance of cooperative share loans, relocation loans, and/or significant temporary interest rate buydown loans in a pool.

⁽²⁰⁾Distribution of Loans by First Scheduled Amortization

For certain pools of loans that have an initial interest-only period, we will provide information as of the issue date, in a tabular format, including the date of the first scheduled monthly payment that the loan is scheduled to begin amortizing, the original interest rate, the number of mortgage loans, and the aggregate unpaid principal balance.

⁽²¹⁾Origination Year

We will provide information as of the issue date, in a tabular format, regarding the aggregate unpaid principal balance of the underlying mortgage loans originated in a particular year, the count of the loans by such year, and the percentage of the pool's issue date unpaid principal balance that such loans constitute. For purposes of this calculation, origination year shall mean the year in which such loan closed.

⁽²²⁾Geographic Distribution

We will provide information as of the issue date, in a tabular format, regarding the geographic distribution by state of the mortgaged properties underlying the mortgage loans in a pool. We will provide the count of the loans by state, the aggregate unpaid principal balance of those loans, and the percentage of the pool's issue date unpaid principal balance that such loans constitute.

⁽²³⁾Origination Type

We will provide information on the number of mortgage loans that were originated as broker, lender correspondent, or retail. We also will provide the current dollar amount of these mortgage loans and the percentage of the current pool unpaid principal balance that these loans constitute (as of the pool issue date). We define these origination types as the following:

Broker: A person or firm that specializes in loan originations, receiving a commission to bring together the borrower and a lender. The broker performs some (or most) of the loan processing functions (such as taking loan applications; ordering credit reports, appraisals, and title reports;

verifying a borrower's income and employment; etc.), but typically does not actually underwrite the mortgage, fund the mortgage at settlement, or service the mortgage. The mortgage is closed in the name of the lender that commissioned the broker's services.

Correspondent: An organization that typically sells the mortgages it originates to other lenders with which it has an ongoing relationship. It performs some (or all) of the loan processing functions (such as taking loan applications; ordering credit reports, appraisals, and title reports; verifying a borrower's income and employment; etc.), as well as underwriting and funding the mortgage at settlement. The mortgage is closed in the correspondent's name. The correspondent may or may not service the mortgage.

Retail: A loan which is originated by a lender and underwritten and funded by that lender. The mortgage is closed in the lender's name and if it is sold to Fannie Mae, it is sold by the lender who originated it.

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

For adjustable-rate mortgage loans, we will provide information as of the issue date, in a tabular format, regarding distribution of the underlying mortgage loans in a pool by their first payment date and the number of the mortgage loans having each such listed first payment date. We will also provide the aggregate dollar amount of these mortgage loans.

⁽²⁵⁾***Gross Margins***

For adjustable-rate mortgage loans, we will provide information as of the issue date, in a tabular format, regarding the mortgage loan margins (as stated in the mortgage note) and the number of mortgage loans having each such listed mortgage loan margin. We will also provide the aggregate dollar amount of these mortgage loans.

⁽²⁶⁾***Next Rate Change Date Table***

For adjustable-rate mortgage loans, we will provide information as of the issue date, in a tabular format, regarding the next rate change date for the underlying mortgage loans in a pool, including the percentage of the pool (by unpaid principal balance) that will have its next rate change on the listed dates, MBS margin, coupon, cap, and floor information.

Calculation of Increase in Fee Percentage

For pools with an increasing fee percentage feature, you can calculate the amount by which the pool accrual rate will be less after all loans in the pool have had their first interest rate adjustment (from what it would otherwise be for that pool if such pool did not have an increasing fee percentage feature) by looking at the pool statistics of your prospectus supplement.

Weighted Average Coupon Rate (value is set forth on the first page of the pool statistics)	–	Initial Pool Accrual Rate (value is set forth on the first page of the pool statistics)	=	X
Weighted Average Gross Margin (you can calculate by taking the gross margins presented on the gross margin table on the last page of the pool statistics and weighting these margins on the basis of their unpaid principal balances)	–	Weighted Average MBS Margin (value is set forth on the last page of the pool statistics on the next rate change date table)	=	Y

Difference in pool accrual rate for increasing fee percentage pools after all loans in the pool have adjusted equals the difference between X and Y.

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

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

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

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

SINGLE-FAMILY MBS PROSPECTUS

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June 1, 2009
