

**\$1,343,399,578**

## Guaranteed REMIC Pass-Through Certificates Fannie Mae REMIC Trust 2002-W5

### The Certificates

We, the Federal National Mortgage Association (“Fannie Mae”), will issue and guarantee the certificates listed in the chart on this page. The certificates will represent beneficial ownership interests in the trust assets.

### Payments to Certificateholders

You, the investor, will receive monthly payments on your certificates, including

- interest to the extent accrued as described in this prospectus (except in the case of the accrual class), and
- principal to the extent available for payment as described in this prospectus.

### The Fannie Mae Guaranty

We will guarantee that the payments of monthly interest and principal described above are paid to investors on time and that any outstanding principal balance of each class of certificates is paid on the final distribution date.

### The Trust and its Assets

The trust will own a pool of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans having the characteristics described in this prospectus.

**Carefully consider the risk factors beginning on page 8 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.**

The certificates, together with interest thereon, 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.

The certificates are exempt from registration under the Securities Act of 1933 and are “exempt securities” under the Securities Exchange Act of 1934.

Class	Original Class Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date
A1	\$ 65,000,000	SEQ/AD	4.000%	FIX	31392DH88	September 2017
A3	183,057,785	SEQ/AD	4.750	FIX	31392DH96	May 2026
A5	25,010,000	SEQ/AD	5.625	FIX	31392DJ29	May 2028
A6	79,639,000	SEQ/AD	6.000	FIX	31392DJ37	July 2029
A7	87,780,000	SEQ/AD	6.250	FIX	31392DJ45	August 2030
A8	28,420,000	SEQ/AD	6.350	FIX	31392DJ52	November 2030
A9(2)	409,659,115	SEQ/AD	(3)	FLT	31392DJ60	November 2030
A11	24,986,746	SEQ	6.750	FIX/Z	31392DJ78	June 2032
A12	50,500,000	SEQ/AD	4.500	FIX	31392DJ86	September 2017
A15	56,000,000	SEQ/AD	5.500	FIX	31392DJ94	May 2028
A16(2)	3,787,000	SEQ/AD	5.500	FIX	31392DK27	May 2026
A17(2)	19,691,000	SEQ/AD	5.000	FIX	31392DK35	May 2026
A18(2)	3,213,000	SEQ/AD	5.500	FIX	31392DK43	May 2028
A19(2)	16,707,000	SEQ/AD	5.000	FIX	31392DK50	May 2028
A21(2)	52,465,000	SEQ/AD	4.600	FIX	31392DK68	September 2017
A22(2)	44,710,000	SEQ/AD	4.600	FIX	31392DK76	May 2026
A32	72,500,750	SEQ/AD	(3)	FLT	31392DK84	November 2030
A34	4,264,750	SEQ/AD	(3)	INV	31392DK92	November 2030
A35	100,000,000	SEQ/AD	(3)	FLT	31392DL26	February 2029
A37	7,644,900	SEQ/AD	(3)	FLT	31392DL34	November 2030
A39	449,700	SEQ/AD	(3)	INV	31392DL42	November 2030
IO	977,307,908(4)	NTL	(5)	WAC/IO	31392DL59	June 2032
PO	7,913,832	PT	(6)	PO	31392DL67	April 2032
A24(2)	409,659,115(4)	NTL	(3)	INV/IO	31392DL75	November 2030
A25(2)	409,659,115(4)	NTL	(3)	INV/IO	31392DL83	November 2030
A26(2)	409,659,115(4)	NTL	(3)	INV/IO	31392DL91	November 2030
A33	65,250,675(4)	NTL	(3)	INV/IO	31392DM25	November 2030
A36	100,000,000(4)	NTL	(3)	INV/IO	31392DM33	February 2029
A38	6,880,410(4)	NTL	(3)	INV/IO	31392DM41	November 2030
A20(2)	3,109,037(4)	NTL	6.750	FIX/IO	31392DM58	September 2017
A23(2)	1,237,555(4)	NTL	6.750	FIX/IO	31392DM66	May 2028
A28(2)	2,649,481(4)	NTL	6.750	FIX/IO	31392DM74	May 2026
A31(2)	2,945,621(4)	NTL	6.750	FIX/IO	31392DM82	May 2026
A40(2)	4,814,814(4)	NTL	6.750	FIX/IO	31392DM90	September 2017
A41(2)	1,458,592(4)	NTL	6.750	FIX/IO	31392DN24	May 2026
A42(2)	463,148(4)	NTL	6.750	FIX/IO	31392DN32	May 2028
R	0	NPR	0	NPR	31392DN40	June 2032
RL	0	NPR	0	NPR	31392DN57	June 2032

- (1) See “Description of the Certificates— Class Definitions and Abbreviations.”
- (2) Exchangeable classes.
- (3) Based on LIBOR.
- (4) Notional balances. These classes are interest only classes.
- (5) The IO Class will bear interest at the variable annual rate described in this prospectus. During the first interest accrual period, the IO Class is expected to bear interest at an annual rate of approximately 0.52384%.
- (6) The PO Class will be a principal only class and will not bear interest.

If you own certificates of certain classes, you can exchange them for the corresponding RCR Certificates to be issued at the time of the exchange. The A2, A4, A10, A13, A14, A27, A29, A30, A43 and A44 Classes are the RCR Classes, as further described in this prospectus.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be July 30, 2002.

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## AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood this prospectus and our current Information Statement dated April 1, 2002 (the “Information Statement”), which we are incorporating by reference in this prospectus.

You can obtain the Information Statement or additional copies of this prospectus by writing Fannie Mae at:

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Area 2H-3S  
Washington, D.C. 20016.

This prospectus, the Information Statement, and the class factors, are available on our corporate website located at [www.fanniemae.com](http://www.fanniemae.com) and our business to business website at [www.efanniemae.com](http://www.efanniemae.com). You can also obtain them by calling the Fannie Mae Helpline at 1-800-237-8627 or 202-752-6547.

You also can obtain additional copies of this prospectus by writing the dealer at:

Greenwich Capital Markets, Inc.  
Prospectus Department  
600 Steamboat Road  
Greenwich, Connecticut 06830  
(telephone: 203-618-2318).

## REFERENCE SHEET

**This reference sheet is not a summary of the transaction and does not contain complete information about the certificates. You should purchase the certificates only after reading this prospectus in its entirety and the Information Statement referred to on page 3.**

### The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 2002-W5.
- The assets of the trust will consist of a pool of first lien, one- to four-family, fully amortizing, fixed rate mortgage loans.

### Assumed Characteristics of the Mortgage Loans

The tables appearing under the heading “The Mortgage Loans—General” summarize certain assumed characteristics of the mortgage loans in the pool. The information in the tables is presented in aggregated form.

### Class Factors

The class factors are numbers that, when multiplied by the initial principal balance or notional balance of a certificate, can be used to calculate the current principal balance or notional balance of that certificate (after taking into account distributions in the same month). We will publish the class factors for the certificates on or shortly after the 11th day of each month.

### Settlement Date

We expect to issue the certificates on July 30, 2002.

### Distribution Dates

We will make payments on the certificates on the 25th day of each calendar month, or the next business day if the 25th day is not a business day, beginning in August 2002.

### Statistical Calculation Date

The information presented in this prospectus with respect to the mortgage loans is, unless otherwise specified, based on the scheduled principal balances of the mortgage loans as of June 1, 2002, which is the statistical calculation date.

### Book-Entry Certificates

We will issue the book-entry certificates through the U.S. Federal Reserve Banks, which will electronically track ownership of the certificates and payments on them. We will issue physical certificates in registered, certificated form.

We will issue the classes of certificates in the following forms:

Fed Book-Entry

All classes other than the R and RL Classes

Physical

R and RL Classes

### Exchanging Certificates Through Combination and Recombination

If you own certain certificates, you will be able to exchange them for a proportionate interest in the related RCR certificates as shown on Schedule 1. We will issue the RCR certificates upon such exchange. You can exchange your certificates by notifying us and paying an exchange fee. We use the

principal and interest of the certificates exchanged to pay principal and interest on the related RCR certificates. Schedule 1 lists the available combinations of the certificates eligible for exchange and the related RCR certificates.

### Interest Rates

During each interest accrual period, the fixed rate classes will bear interest at the applicable annual interest rates listed on the cover of this prospectus or on Schedule 1, as applicable.

During each interest accrual period, the weighted average coupon class will bear interest as described in this prospectus. During the initial interest accrual period, the weighted average coupon class is expected to bear interest at an annual rate of approximately 0.52384%.

During the initial interest accrual period, the floating rate and inverse floating rate classes will bear interest at the initial interest rates listed below. During subsequent interest accrual periods, the floating rate and inverse floating rate classes will bear interest based on the formulas indicated below, but always subject to the specified maximum and minimum interest rates:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate (1)</u>
A9 .....	2.240%	8.500%	0.40%	LIBOR + 40 basis points
A24 .....	6.160%	8.000%	0.00%	8% - LIBOR
A25 .....	0.050%	0.050%	0.00%	8.05% - LIBOR
A26 .....	0.050%	0.050%	0.00%	8.10% - LIBOR
A32 .....	2.160%	9.000%	0.32%	LIBOR + 32 basis points
A33 .....	6.840%	8.680%	0.00%	8.68% - LIBOR
A34 .....	11.628%	14.756%	0.00%	14.756% - (1.7 × LIBOR)
A35 .....	2.240%	8.000%	0.40%	LIBOR + 40 basis points
A36 .....	6.260%	8.100%	0.50%	8.1% - LIBOR
A37 .....	2.540%	9.000%	0.70%	LIBOR + 70 basis points
A38 .....	6.460%	8.300%	0.00%	8.3% - LIBOR
A39 .....	10.982%	14.110%	0.00%	14.11% - (1.7 × LIBOR)
A10 .....	6.260%	8.100%	0.00%	8.1% - LIBOR
A27 .....	2.340%	8.500%	0.50%	LIBOR + 50 basis points
A43 .....	6.210%	8.050%	0.00%	8.05% - LIBOR
A44 .....	2.290%	8.500%	0.45%	LIBOR + 45 basis points

(1) We will establish LIBOR on the basis of the "BBA Method."

We will apply interest payments from exchanged REMIC certificates to the RCR certificates, on a pro rata basis, following any exchange.

**Notional Classes**

A notional class will not receive any principal. Its notional principal balance is the balance used to calculate accrued interest. The notional principal balances will equal the percentages of the outstanding balances specified below immediately before the related distribution date:

<u>Class</u>	
A24 .....	100% of the A9 Class
A25 .....	100% of the A9 Class
A26 .....	100% of the A9 Class
A33 .....	90% of the A32 Class
A36 .....	100% of the A35 Class
A38 .....	90% of the A37 Class
A20 .....	5.9259258553% of the A21 Class
A23 .....	7.4074040821% of the A19 Class
A28 .....	5.9259248490% of the A22 Class
A31 .....	1.6091208577% of the A3 Class
A40 .....	7.4074061538% of the A1 Class
A41 .....	7.4074043979% of the A17 Class
A42 .....	1.8518512595% of the A5 Class
A10 .....	100% of the A9 Class
A13 .....	5.9259258553% of the A21 Class
	5.9259248490% of the A22 Class
	7.4074040821% of the A19 Class
	7.4074061538% of the A1 Class
	7.4074043979% of the A17 Class
	1.6091208577% of the A3 Class
	1.8518512595% of the A5 Class
A43 .....	100% of the A9 Class
IO .....	100% of the Non-Discount Loans

**Distributions of Principal**

*PO Principal Distribution Amount*

To the PO Class to zero.

*A11 Accrual Amount, Non-PO Cash Flow Distribution Amount and Non-Discount Cash Flow Distribution Amount*

1. To the A1, A12, A21, A9, A32, A34 and A35 Classes, in the proportions of 17.6185184181%, 13.6882335402%, 14.2208549047%, 37.5347201595%, 6.6428287885%, 0.3907546346% and 9.9040895544%, respectively, until the A1, A12 and A21 Classes are reduced to zero.

2. To the A3, A16, A17, A22, A9, A32, A34 and A35 Classes, in the proportions of 35.8534009829%, 0.7417156802%, 3.8566473354%, 8.7568281127%, 34.9983022926%, 6.1939380134%, 0.3643492949% and 9.2348182879%, respectively, until the A3, A16, A17 and A22 Classes are reduced to zero.

3. To the A5, A15, A18, A19, A9, A32, A34 and A35 Classes in the proportions of 14.7595160814%, 33.0480967837%, 1.8961345530%, 9.8595455887%, 27.8632972365%, 4.9311973618%, 0.2900704330% and 7.3521419619%, respectively, until the A5, A15, A18 and A19 Classes are reduced to zero.

4. To the A6, A9, A32, A34 and A35 Classes, in the proportions of 70%, 20.6717850995%, 3.6584561863%, 0.2152033051% and 5.4545554091%, respectively, until the A35 Class is reduced to zero.

5. To the A6, A9, A32, A34, A37 and A39 Classes, in the proportions of 70%, 20.6717850995%, 3.6584561863%, 0.2152033050%, 5.1515245531% and 0.3030308561, respectively, until the A6 Class is reduced to zero.

6. To the A7, A9, A32, A34, A37 and A39 Classes, in the proportions of 77.7777777778%, 15.3124334070%, 2.7099675454%, 0.1594098556%, 3.8159441134% and 0.2244673008%, respectively, until the A7 Class is reduced to zero.

7. To the A8, A9, A32, A34, A37 and A39 Classes, in the proportions of 81.3953488372%, 12.8197116896%, 2.2688100380%, 0.1334594140%, 3.1947439089% and 0.1879261123%, respectively, to zero.

8. To the A11 Class to zero.

For a description of the PO Principal Distribution Amount, the Non-PO Cash Flow Distribution Amount and the Non-Discount Cash Flow Distribution, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

We will apply principal payments from exchanged REMIC certificates to the RCR certificates, on a pro rata basis, following any exchange.

**Weighted Average Lives (years) \***

	% of Prepayment Assumption				
	0%	50%	100%	150%	200%
A1, A12, A21, A20 and A40 .....	9.0	1.3	0.7	0.5	0.4
A3, A16, A17, A22, A28, A31 and A41 .....	20.0	4.6	2.4	1.6	1.2
A5, A15, A18, A19, A23 and A42 .....	24.8	8.7	4.5	2.9	2.1
A6 .....	26.4	11.3	6.0	3.9	2.8
A7 .....	27.5	14.4	8.0	5.2	3.7
A8 .....	28.2	17.2	10.2	6.8	4.9
A9, A32, A34, A24, A25, A26, A33, A10, A27, A43 and A44 .....	17.6	4.9	2.6	1.7	1.3
A11 .....	29.1	22.1	14.1	9.5	6.8
A35 and A36 .....	16.8	4.1	2.2	1.5	1.1
A37, A39 and A38 .....	27.4	14.2	7.9	5.2	3.7
IO .....	20.4	6.8	3.6	2.3	1.7
PO .....	19.8	6.7	3.6	2.3	1.7
A2, A29 and A30 .....	14.0	2.8	1.5	1.0	0.8
A4 and A14 .....	22.2	6.5	3.4	2.2	1.6
A13 .....	15.2	3.4	1.8	1.2	0.9

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus.

## RISK FACTORS

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

### Suitability

*The certificates may not be a suitable investment.* The certificates are not a suitable investment for every investor. Before investing, you should consider carefully the following:

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

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

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice to determine whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

### Yield Considerations

*Factors that affect your yield.* Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the mortgage loans;

- if and when the mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans are repurchased;
- the actual characteristics of the mortgage loans; and
- in the case of the interest only classes, fluctuations in the weighted average of the net mortgage rates of the related mortgage loans.

*Yields may be lower than expected due to unexpected rate of principal payment.* The actual yield on your certificates probably will be lower than you expect:

- if you own interest only certificates or if you buy your certificates at a premium and principal payments on the related mortgage loans are faster than you expect, or
- if you buy your certificates (including the PO Class) at a discount and principal payments on the related mortgage loans are slower than you expect.

Furthermore, in the case of interest only certificates or other certificates purchased at a premium, you could lose money on your investment if prepayments occur at a rapid rate.

In addition, in the case of the IO Class, if a disproportionately high rate of prepayments occurs on mortgage loans with relatively higher interest rates, the yields on those certificates will decrease and may be lower than you expect.

Even if the mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations in the prepayment rate over time could 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 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 impact of the earlier prepayment rate on your yield.

We used certain assumptions concerning the mortgage loans in preparing certain tabular information in this prospectus. If the actual mortgage loan characteristics differ even slightly from those assumptions, the weighted average life and yield of the certificates will be affected.

**You must make your own decision as to the assumptions, including the principal prepayment assumptions, you will use in deciding whether to purchase the certificates.**

*Level of floating rate index affects yields on certain certificates.* The yield on any floating rate or inverse floating rate certificate will be affected by the level of its interest rate index. If the level of the index differs from the level you expect, then your actual yield may be lower than you expect.

*Delay classes have lower yields and market values.* Since certain classes do not receive interest immediately following each interest accrual period, these classes have lower yields and lower market values than they would if there were no such delay.

*Unpredictable timing of last payment affects yields on certificates.* The actual final payment of your class is likely to occur earlier, and could occur much earlier, than the final distribution date listed on the cover page of this prospectus. If you assume that the actual final payment will occur on the final distribution date specified, your yield could be lower than you expect.

### **Prepayment Considerations**

*The rate of principal payments of the certificates depends on numerous factors and thus cannot be predicted.* The rate of principal payments on the certificates generally will depend on the rate of principal payments on the mortgage loans. Principal payments on the mortgage loans may occur as a result of scheduled amortization or prepayments.

In the case of most of the mortgage loans, borrowers generally may prepay their mortgage

loans at any time without penalty. It is highly unlikely that the mortgage loans will prepay:

- at the rates we assume,
- at any constant prepayment rate until maturity, or
- at the same rate.

As of the statistical calculation date approximately 5% of the mortgage loans require that the borrower pay a prepayment premium, in most cases equal to six months' advance interest calculated on the basis of the rate in effect at the time of such prepayment on the amount prepaid in excess of 20% of the original balance of such mortgage loan, if the loan is prepaid in full or in part during the first five years after origination. After the expiration of the applicable prepayment premium period, however, borrowers may prepay the mortgage loans at any time without paying a premium. In no event will certificateholders be entitled to any portion of any prepayment premiums paid by borrowers.

The mortgage loans contain "due-on-sale" clauses which generally provide that the lender can require repayment in full if the borrower sells the property that secures the mortgage loan; however, the enforceability of such "due-on-sale" clauses may be limited by applicable law. In this way, property sales by borrowers can affect the rate of prepayment.

In addition, borrowers often seek to refinance their loans by obtaining new loans secured by the same properties. Refinancing of loans also affects the rate of prepayment. When the level of prevailing interest rates declines relative to the interest rates on fixed-rate mortgage loans, the rate of prepayment of those loans is likely to increase. Because the mortgage loans bear fixed interest rates, they can be expected to be sensitive to prevailing interest rates.

In general, prepayment rates may be influenced by:

- the level of current interest rates relative to the rates borne by the mortgage loans,
- homeowner mobility,
- existence of any prepayment premiums or prepayment restrictions,

- the general creditworthiness of the borrowers,
- repurchases of mortgage loans from the pools, and
- general economic conditions.

Because so many factors affect the prepayment rate of the mortgage loans, we cannot estimate the prepayment experience of the mortgage loans.

*Exercise of any optional clean-up call will have the same effect on the certificates as borrower prepayments.* The servicer, subject to certain conditions, has the option to purchase from the trust all of the mortgage loans on or after the first distribution date when the aggregate principal balance of the loans has been reduced to 1% or less of the aggregate principal balance of all the mortgage loans as of the issue date. If the servicer exercises this option, it will have the same effect on holders of the certificates as borrower prepayments of the loans.

*Repurchases due to breaches of representations will have the same effect as borrower prepayments.* When we purchased the mortgage loans from Countrywide Home Loans, Inc., it made certain representations and warranties concerning the mortgage loans. If there is a material breach of these representations and warranties, we may choose to repurchase the affected loans. If we do, we will purchase the mortgage loans at a price equal to their principal balance plus accrued interest at the applicable net mortgage interest rates. Our repurchase of mortgage loans will have the same effect on the certificateholders as borrower prepayments.

*Purchases due to delinquency will have the same effect as borrower prepayments.* Either Fannie Mae or, subject to certain conditions, the servicer may purchase any mortgage loans that are delinquent by more than 90 days. In such event, the mortgage loans will be purchased at a price equal to their principal balance (plus accrued interest at the applicable net mortgage interest rates). Purchases of mortgage loans will have the same effect on the certificateholders as borrower prepayments.

*Concentration of mortgaged properties in certain states.* As of the statistical calculation date, approximately 20% and 10% of the mort-

gage loans are secured by mortgaged properties located in California and Florida respectively. If the residential real estate markets in those states should experience an overall decline in property values, the rates of loan delinquencies in those states probably will increase and may increase substantially.

### **Reinvestment Risk**

*Reinvestment of certificate payments may not achieve same yields as certificates.* The rate of principal payments of the certificates is uncertain. You may be unable to reinvest the payments on the certificates at the same yields provided by the certificates.

### **Market and Liquidity Considerations**

*There may be no liquid resale market for the certificates.* We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors.

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

- the method, frequency and complexity of calculating principal and interest;
- the characteristics of the mortgage loans;
- past and expected prepayment levels of the mortgage loans and comparable loans;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the certificates;
- the availability of comparable securities;
- the level, direction and volatility of interest rates generally; and
- general economic conditions.

## Fannie Mae Guaranty Considerations

*Without our guaranty, the certificates would be paid only from the mortgage loans.* If we were unable to perform our guaranty obligations, certificateholders would receive only bor-

rower payments and other recoveries on the mortgage loans. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

## GENERAL

The material under this heading summarizes certain features of the Certificates and is not complete. You will find additional information about the Certificates in the other sections of this prospectus, as well as in the Information Statement and the Trust Agreement. If we use a capitalized term in this prospectus without defining it, you will find the definition of that term in the Trust Agreement.

*Structure.* We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*), will create the Fannie Mae REMIC Trust specified on the cover of this prospectus (the “Trust”) and a separate trust (the “Lower Tier REMIC”) pursuant to a trust agreement dated as of July 1, 2002 (the “Issue Date”). We will issue the Guaranteed REMIC Pass-Through Certificates (the “REMIC Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable REMIC Certificates (the “RCR Certificates” and, together with the REMIC Certificates, the “Certificates”) pursuant to a separate trust agreement dated as of the Issue Date (together with the trust agreement relating to the REMIC Certificates, the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). In general, the term “Classes” includes the Classes of REMIC Certificates and RCR Certificates.

The Trust and the Lower Tier REMIC each will constitute a “real estate mortgage investment conduit” (“REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”).

- The REMIC Certificates (except the R and RL Classes) will be “regular interests” in the Trust.
- The R Class will be the “residual interest” in the Trust.
- The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be the “regular interests” in the Lower Tier REMIC.
- The RL Class will be the “residual interest” in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests.

The assets of the Lower Tier REMIC will consist of the Mortgage Loans and will evidence the entire beneficial ownership interest in the payments of principal and interest on the Mortgage Loans.

*Characteristics of Certificates.* We will issue the Certificates (except the R and RL Classes) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks (the “Fed Book-Entry Certificates”). Entities whose name appear in the book-entry records of a Federal Reserve Bank as having had Fed Book-Entry Certificates deposited in their accounts are “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a Fed Book-Entry Certificate. Beneficial owners ordinarily will hold Fed Book-Entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Book-Entry Procedures” in this prospectus.

We will issue the R and RL Certificates in fully registered, certificated form. The “Holder” or “Certificateholder” of the R or RL Certificate is its registered owner. The R or RL Certificate can be transferred at the corporate trust office of the Transfer Agent, or at the office of the Transfer Agent in New York, New York. State Street Bank and Trust Company in Boston, Massachusetts (“State

Street”) will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of the R or RL Certificate and may require payment to cover any tax or other governmental charge.

The Holder of the R Class will receive the proceeds of any remaining assets of the Trust and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of the Paying Agent. State Street will be the initial Paying Agent. See “—Special Characteristics of the R and RL Classes” in this prospectus.

*Fannie Mae Guaranty.* We guarantee that we will pay to the Holders of Certificates:

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance of each Class of Certificates no later than the applicable Final Distribution Date specified on the cover of this prospectus, whether or not we have received sufficient payments.

If we were unable to perform these guaranty obligations, Certificateholders would receive only the amounts paid or advanced and other recoveries on the Mortgage Loans. If that happened, delinquencies and defaults on the Mortgage Loans would directly affect the amounts that Certificateholders would receive each month. Our guaranty is not backed by the full faith and credit of the United States.

*Distribution Dates.* We will make monthly payments on the 25th day of each calendar month, or the next business day if the 25th is not a business day. We refer to each such date as a “Distribution Date.” We will make the first payments to Certificateholders the month after we issue the Certificates.

*Record Date.* On each Distribution Date, we will make each monthly payment on the Certificates to Holders of record on the last day of the preceding month.

*Class Factors.* On or shortly after the 11th calendar day of each month, we will publish a class factor (carried to eight decimal places) for each Class of Certificates. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the remaining principal balance (or notional principal balance) of that Certificate after taking into account payments on the Distribution Date in the same month.

*Authorized Denominations.* We will issue the Certificates (other than the R and RL Classes) in minimum denominations of \$1,000 and whole dollar increments above that amount. We will issue the R and RL Classes as single Certificates with no principal balances.

*Optional Termination.* The Servicer may effect an early termination of the Trust as described under “The Trust Agreement—Termination” in this prospectus.

## **Combination and Recombination**

*General.* You are permitted to exchange all or a portion of the A21, A22, A16, A18, A24, A25, A26, A20, A23, A28, A31, A40, A41, A42, A17, A19 and A9 Classes of REMIC Certificates for a proportionate interest in the related RCR Certificates in the combinations shown on Schedule 1. You also may exchange all or a portion of the RCR Certificates for the related REMIC Certificates in the same manner. This process may occur repeatedly.

Holders of RCR Certificates will be the beneficial owners of a proportionate interest in the related REMIC Certificates and will receive a proportionate share of the distributions on the related REMIC Certificates.

The Classes of REMIC Certificates and RCR Certificates that are outstanding at any given time, and the outstanding principal balances of these Classes, will depend upon any related distributions of principal, as well as any exchanges that occur. REMIC Certificates and RCR Certificates in any combination may be exchanged only in the proportions shown on Schedule 1.

*Procedures.* If a Certificateholder wishes to exchange Certificates, the Certificateholder must notify our Structured Transactions Department through one of our “REMIC Dealer Group” dealers in writing or by telefax no later than two business days before the proposed exchange date. The exchange date can be any business day other than the first or last business day of the month subject to our approval. The notice must include the outstanding principal balance of both the Certificates to be exchanged and the Certificates to be received, and the proposed exchange date. After receiving the Holder’s notice, we will telephone the dealer with delivery and wire payment instructions. Notice becomes irrevocable on the second business day before the proposed exchange date.

In connection with each exchange, the Holder must pay us a fee equal to 1/32 of 1% of the outstanding principal balance of the Certificates to be exchanged. In no event, however, will our fee be less than \$2,000.

We will make the first distribution on a REMIC Certificate or an RCR Certificate received in an exchange transaction on the Distribution Date in the following month. We will make that distribution to the Holder of record as of the close of business on the last day of the month of the exchange.

*Additional Considerations.* The characteristics of RCR Certificates will reflect the characteristics of the REMIC Certificates used to form those RCR Certificates. You should also consider a number of factors that will limit a Certificateholder’s ability to exchange REMIC Certificates for RCR Certificates or vice versa:

- At the time of the proposed exchange, a Certificateholder must own Certificates of the related Class or Classes in the proportions necessary to make the desired exchange.
- A Certificateholder that does not own the Certificates required to make the desired exchange may be unable to obtain the necessary REMIC Certificates or RCR Certificates.
- The Certificateholder of Certificates required to make the desired exchange may refuse to sell them at a reasonable price (or any price) or may be unable to sell them.
- Certain Certificates required to make the desired exchange may have been purchased and placed into other financial structures and thus be unavailable.
- Principal distributions will decrease the amounts available for exchange over time.
- Only the combinations listed on Schedule 1 are permitted.

## **THE MORTGAGE LOANS**

The Seller has provided us with detailed information regarding the Mortgage Loans. We summarize this information below, although we have not verified it. As a result, Fannie Mae does not warrant, and is not responsible for the truth or accuracy of the information.

### **General**

We expect that the Trust will consist of approximately 9,614 mortgage loans (the “Mortgage Loans”) having an aggregate Stated Principal Balance of approximately \$1,343,399,578 as of the Issue Date. Fannie Mae acquired the Mortgage Loans pursuant to a sale and servicing agreement dated as of June 1, 2002 (the “Sale and Servicing Agreement”), among Fannie Mae, as purchaser, Countrywide Home Loans, Inc., as seller (the “Seller”) and Countrywide Home Loans Servicing LP (the “Servicer”).

The Mortgage Loans consist of first lien, single-family, fixed-rate, fully amortizing mortgage loans with original terms of from 20 to 30 years. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first mortgage or deed of trust on a single-family residential property. Each Mortgage Note requires the borrower to make

monthly payments of principal and interest. We refer to the property securing repayment of a Mortgage Loan as the “Mortgaged Property.”

Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make payments by a scheduled day of each month. This day is fixed at the time of origination. In addition, each Mortgage Loan provides that each borrower must pay interest on its outstanding principal balance at the rate specified or described in the related Mortgage Note. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a payment earlier or later than the scheduled due date, the amortization schedule will not change, nor will the relative application of such payment to principal and interest.

In addition, approximately 5% of the Mortgage Loans (by principal balance as of the Statistical Calculation Date) are subject to prepayment premiums. In most cases, the prepayment premium will be equal to six months’ advance interest calculated on the basis of the rate in effect at the time of such prepayment on the amount prepaid in excess of 20% of the original balance of the Mortgage Loan, if the loan is prepaid in full or in part during the first five years after origination. After the expiration of the applicable prepayment period, however, borrowers may prepay the mortgage loans at anytime without paying a premium. In no event will Certificateholders be entitled to any portion of any prepayment premiums paid by borrowers.

None of the Mortgage Loans is FHA-insured or VA-guaranteed.

### **Mortgage Loan Characteristics**

The following tables set forth certain information as to the Mortgage Loans, as of June 1, 2002 (the “Statistical Calculation Date”), except as otherwise specified. References to “Aggregate Principal Balance Outstanding” mean the aggregate Stated Principal Balance of the Mortgage Loans as of the Statistical Calculation Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding. In addition, because of amortization as well as prepayments of the Mortgage Loans occurring after the Statistical Calculation Date and on or before the Issue Date, the aggregate Stated Principal Balance of the Mortgage Loans as of the Issue Date will be lower than that as of the Statistical Calculation Date. The original principal balances and notional principal balances of the Classes are based on the aggregate Stated Principal Balance of the Mortgage Loans as of the Issue Date.

For any date, the “Weighted Average Net Mortgage Rate” or “Weighted Average Mortgage Rate” of the Mortgage Loans (or of the Discount Loans or the Non-Discount Loans as a group) is the weighted average of the Net Mortgage Rates or Mortgage Interest Rates, as applicable, of the Mortgage Loans (or the Mortgage Loans in that group) during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related Mortgage Loans immediately before that date. For any date, the “Weighted Average Mortgage Loan Age” of the Mortgage Loans (or of the Discount Loans or the Non-Discount Loans as a group) is the weighted average loan age of the Mortgage Loans (or the Mortgage Loans in that group), weighted on the basis of the Stated Principal Balances of the related Mortgage Loans immediately before that date. For any date, the “WAM” of the Mortgage Loans (or of the Discount Loans or the Non-Discount Loans as a group) is the weighted average term to maturity of the Mortgage Loans (or the Mortgage Loans in that group), weighted on the basis of the Stated Principal Balances of the related Mortgage Loans immediately before that date.

### Discount Loans (1)

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Mortgage Loan Age (in months)</u>	<u>WAM (in months)</u>
\$366,091,665	6.604084715%	7.222375129%	2	355

(1) As of the Issue Date.

### Non-Discount Loans (1)

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Mortgage Loan Age (in months)</u>	<u>WAM (in months)</u>
\$977,307,908	7.273841198%	7.977880886%	2	357

(1) As of the Issue Date.

### Current Mortgage Loan Principal Balances (1)

<u>Current Mortgage Loan Principal Balances</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
\$ 0-\$ 50,000.....	422	\$ 17,138,196.13	1.26%	7.992%	357	1
\$ 50,001-\$100,000.....	2,674	207,668,563.85	15.29	7.850	356	1
\$100,001-\$150,000.....	2,918	362,932,247.70	26.72	7.783	357	1
\$150,001-\$200,000.....	1,902	329,136,916.14	24.23	7.745	357	1
\$200,001-\$250,000.....	1,030	230,622,524.28	16.98	7.762	358	1
\$250,001-\$300,000.....	676	185,146,044.47	13.63	7.724	358	1
\$300,001-\$350,000.....	53	16,359,803.70	1.20	7.674	359	1
\$350,001-\$400,000.....	15	5,557,455.10	0.41	8.030	359	1
\$400,001-\$450,000.....	3	1,293,853.52	0.10	8.120	359	1
\$450,001-\$500,000.....	3	1,370,355.65	0.10	7.412	359	1
\$500,001-\$550,000.....	1	505,851.17	0.04	8.625	359	1
\$550,001-\$600,000.....	1	576,000.00	0.04	8.250	360	0
Total .....	<u>9,698</u>	<u>\$1,358,307,811.71</u>	<u>100.00%</u>			

(1) As of the Statistical Calculation Date, the average current principal balance for the Mortgage Loans was expected to be approximately \$140,060.

### Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
6.00001- 6.50000 .....	1	\$ 84,485.75	0.01%	6.875%	234	6
6.50001- 7.00000 .....	938	147,326,767.86	10.85	6.930	355	1
7.00001- 7.50000 .....	3,156	457,456,698.02	33.68	7.408	357	1
7.50001- 8.00000 .....	3,342	448,333,600.55	33.01	7.854	358	1
8.00001- 8.50000 .....	1,556	206,029,870.39	15.17	8.409	358	1
8.50001- 9.00000 .....	530	75,851,619.36	5.58	8.944	358	2
9.00001- 9.50000 .....	146	20,323,097.64	1.50	9.319	357	2
9.50001-10.00000 .....	21	2,060,737.21	0.15	9.839	351	9
10.00001-10.50000 .....	5	688,602.35	0.05	10.336	308	50
10.50001-11.00000 .....	2	97,406.08	0.01	10.792	357	3
12.00001-12.50000 .....	1	54,926.50	0.00	12.400	355	5
Total .....	<u>9,698</u>	<u>\$1,358,307,811.71</u>	<u>100.00%</u>			

(1) The Mortgage Loans are shown at the mortgage rates net of any interest premium charged by the related lenders for lender-purchased mortgage insurance. As of the Statistical Calculation Date, the weighted average mortgage rate of the Mortgage Loans (as so adjusted) was expected to be approximately 7.71% per annum. (Without such adjustment, the weighted average mortgage rate of the Mortgage Loans was expected to be approximately 7.78% per annum.)

### Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
240 .....	133	\$ 16,214,947.26	1.19%	7.369%	239	1
300 .....	24	3,239,362.94	0.24	7.405	299	1
360 .....	<u>9,541</u>	<u>1,338,853,501.51</u>	<u>98.57</u>	7.781	359	1
Total .....	<u>9,698</u>	<u>\$1,358,307,811.71</u>	<u>100.00%</u>			

(1) As of the Statistical Calculation Date, the weighted average original term to stated maturity of the Mortgage Loans was expected to be 358 months.

### Mortgage Loan Age (months) (1)

<u>Mortgage Loan Ages (months)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0- 24 .....	9,695	\$1,357,951,084.53	99.97%	7.775%	357	1
49- 72 .....	1	87,039.31	0.01	7.750	309	51
73- 96 .....	1	53,878.49	0.00	9.875	296	88
145-168 .....	1	215,809.38	0.02	10.250	204	152
Total .....	<u>9,698</u>	<u>\$1,358,307,811.71</u>	<u>100.00%</u>			

(1) As of the Statistical Calculation Date, the weighted average mortgage loan age of the Mortgage Loans was expected to be approximately 1 month.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
200–211 .....	1	\$ 215,809.38	0.02%	10.250%	204	152
212–241 .....	134	16,355,347.27	1.20	7.369	239	1
272–301 .....	25	3,293,241.43	0.24	7.445	299	2
302–331 .....	8	906,654.05	0.07	7.864	320	12
332–360 .....	<u>9,530</u>	<u>1,337,536,759.58</u>	<u>98.47</u>	<u>7.781</u>	<u>359</u>	<u>1</u>
Total .....	<u>9,698</u>	<u>\$1,358,307,811.71</u>	<u>100.00%</u>			

(1) As of the Statistical Calculation Date, the weighted average remaining term to stated maturity of the Mortgage Loans was expected to be approximately 357 months.

### State Distribution of Mortgaged Properties

State Distribution of Mortgaged Properties	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
California .....	1,468	\$ 271,216,961.87	19.97%	7.589%	357	1
Florida .....	1,105	136,290,713.58	10.03	7.826	358	1
Texas .....	789	96,772,885.86	7.12	7.784	358	1
New York .....	340	58,503,873.05	4.31	7.972	356	1
Michigan .....	418	49,707,103.99	3.66	7.987	358	1
Other .....	<u>5,578</u>	<u>745,816,273.36</u>	<u>54.91</u>	<u>7.803</u>	<u>357</u>	<u>1</u>
Total .....	<u>9,698</u>	<u>\$1,358,307,811.71</u>	<u>100.00%</u>			

### Fannie Mae Mortgage Purchase Program

#### *General*

We summarize below certain aspects of our program for purchasing residential mortgage loans for inclusion in a given pool. We may grant exceptions to the requirements of the program for a particular transaction. In several instances, the characteristics of the Mortgage Loans included in the Trust do not match the criteria described below. For more specific details regarding the Mortgage Loans included in the Trust see “The Mortgage Loans—General” above.

The mortgage loans we purchase must meet standards required by the law under which we were chartered, which we refer to as 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 servicers who service our mortgage loans.

#### *Selling and Servicing Guides*

Our eligibility criteria and policies, summarized below, are set forth in our Selling and Servicing 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 may also 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 conforming loan limits, typically are adjusted annually. As of January 1, 2002, our conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is \$300,700, except for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands where it is \$451,050. Our conforming loan limit as of January 1, 2002 for conventional loans secured by first liens on residences containing two dwelling units is \$384,900, three dwelling units is \$465,200 and four dwelling units is \$578,150, except for mortgage loans secured by property in Alaska, Guam, Hawaii, or the Virgin Islands where for two dwelling units it is \$577,350, for three dwelling units it is \$697,800 and for four dwelling units it is \$867,225. Our conforming loan limit for mortgage loans secured by subordinate liens on single-family one- to four-unit residences is 50% of the amount for first lien loans secured by one unit residences, or, as of January 1, 2002, \$150,350, except in Alaska, Guam, Hawaii and the Virgin Islands, where it is \$225,525. 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 our first lien conforming loan limit for single-family one- to four-unit residences. Aside from the limits imposed under the Charter Act, we may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase.

Loan-to-Value Ratios. The Charter Act requires that we 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%, repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. In our discretion, we may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

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 and borrower credit history. Depending upon these factors, the loan-to-value ratio can be as high as 100%.

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.

## **DESCRIPTION OF THE CERTIFICATES**

### **Book-Entry Procedures**

*General.* The Fed Book-Entry Certificates will be issued and maintained only on the book-entry system of the Federal Reserve Banks. The Fed Book-Entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Fed Book-Entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Fed Book-Entry Certificate, and each other financial intermediary in the chain to the beneficial

owner, will have to establish and maintain accounts for their respective customers. A beneficial owner's rights with respect to us and the Federal Reserve Banks may be exercised only through the Holder of the related Fed Book-Entry Certificate. Neither we nor the Federal Reserve Banks will have any direct obligation to a beneficial owner of a Fed Book-Entry Certificate that is not the Holder of that Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Fed Book-Entry Certificate.

We have a fiscal agency agreement in effect with the Federal Reserve Bank of New York. Under this agreement, the regulations (found at 24 C.F.R. Part 81, Subpart E) that govern our use of the book-entry system and the pledging and transfer of interests apply to the Fed Book-Entry Certificates. These regulations may be modified, amended, supplemented, superseded, eliminated or otherwise altered without the consent of any Certificateholder. The Federal Reserve Banks' operating circulars and letters also apply. The Fed Book-Entry Certificates are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Fed Book-Entry Certificates maintained on the book-entry system of a Federal Reserve Bank can be separately traded and owned.

*Method of Payment.* Our fiscal agent for the Fed Book-Entry Certificates is the Federal Reserve Bank of New York. On each Distribution Date, the Federal Reserve Banks, acting on our behalf, will make payments on the Fed Book-Entry Certificates by crediting Holders' accounts at the Federal Reserve Banks.

## Distributions of Interest

*Categories of Classes.* For the purpose of interest payments, the Classes will be characterized as follows:

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A1, A3, A5, A6, A7, A8, A11, A12, A15, A16, A17, A18, A19, A21, A22, A20, A23, A28, A31, A40, A41 and A42
Floating Rate	A9, A32, A35 and A37
Inverse Floating Rate	A34, A39, A24, A25, A26, A33, A36 and A38
Weighted Average Coupon	IO
Accrual	A11
Interest Only	IO, A24, A25, A26, A33, A36, A38, A20, A23, A28, A31, A40, A41 and A42
Principal Only	PO
RCR**	A2, A4, A10, A13, A14, A27, A29, A30, A43 and A44
No Payment Residual	R and RL

\* See "—Class Definitions and Abbreviations" below.

\*\* See "—Combination and Recombination" above and Schedule 1 for a further description of the RCR Classes.

*General.* We will pay interest on the Certificates at the applicable annual interest rates shown on the cover or described in this prospectus. We will calculate interest based on a 360-day year consisting of twelve 30-day months. We pay interest monthly (except in the case of the Accrual Class) on each Distribution Date, beginning in the month after the Settlement Date specified in the Reference Sheet.

Interest to be paid on each Certificate (or added to principal, in the case of the Accrual Class) on each Distribution Date will consist of one month's interest on the outstanding principal balance of that Certificate immediately prior to that Distribution Date. For a description of the Accrual Class, see "—Accrual Class" below.

We will apply interest payments from exchanged REMIC Certificates to the corresponding RCR Certificates, on a pro rata basis, following any exchange.

*Interest Accrual Periods.* Interest to be paid on each Distribution Date will accrue on the Certificates during the applicable one-month periods set forth below (each, an “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Periods</u>
All Fixed Rate Classes and the IO Class (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
All Floating Rate and Inverse Floating Rate Classes	One-month period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs

See “Risk Factors—Yield Considerations—*Delay classes have lower yields and market values*” in this prospectus.

The PO Class will be treated as a Delay Class for the sole purpose of facilitating any trading in that Class.

*Accrual Class.* The A11 Class is an Accrual Class. Interest will accrue on the A11 Class at the annual rate specified on the cover of this prospectus. However, we will not pay any interest on the Accrual Class. Instead, interest accrued on the Accrual Class will be added as principal to its principal balance on each Distribution Date. We will pay principal on the Accrual Class as described under “—Distributions of Principal” below.

*Notional Classes.* The Notional Classes will not have principal balances. During each Interest Accrual Period, the Notional Classes will bear interest on their notional principal balances at their applicable interest rates. The notional principal balances of the Notional Classes will be calculated as specified under “Reference Sheet—Notional Classes” in this prospectus.

We use the notional principal balance of a Notional Class to determine interest payments on that Class. Although a Notional Class will not have a principal balance and will not be entitled to any principal payments, we will publish a class factor for that Class. References in this prospectus to the principal balances of the Certificates generally shall refer also to the notional principal balances of the Notional Classes.

*Weighted Average Coupon Class.* The IO Class is the Weighted Average Coupon Class. During each Interest Accrual Period, the IO Class will bear interest on its notional principal balance at an annual rate equal to the weighted average of the Net Mortgage Rates of the Non-Discount Loans (weighted on the basis of their Stated Principal Balances immediately before the related Distribution Date) *minus* 6.75%. During the initial Interest Accrual Period, the IO Class is expected to bear interest at an annual rate of approximately 0.52384%.

Our determination of the interest rate for the IO Class for each Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain the IO Class interest rate by telephoning us at 1-800-237-8627 or 1-202-752-6547.

*Floating Rate and Inverse Floating Rate Classes.* During each Interest Accrual Period, the Floating Rate and Inverse Floating Rate Classes will bear interest at rates determined as described under “Reference Sheet—Interest Rates” in this prospectus.

Changes in the specified interest rate index (the “Index”) will affect the yields with respect to the related Classes. These changes may not correspond to changes in mortgage interest rates. Lower mortgage interest rates could occur while an increase in the level of the Index occurs. Similarly, higher mortgage interest rates could occur while a decrease in the level of the Index occurs.

Our establishment of each Index value and our determination of the interest rate for each applicable Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627 or 202-752-6547.

## Calculation of LIBOR

*General.* We will calculate the London interbank offered rate for one-month U.S. dollar deposits (“LIBOR”) on each Index Determination Date. The “Index Determination Date” for each Floating Rate and Inverse Floating Rate Class means the second business day before the first day of each Interest Accrual Period (or, in the case of the initial Interest Accrual Period, July 23, 2002). For purposes of calculating LIBOR, the term “business day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

*Calculation Method.* We will calculate LIBOR on each Index Determination Date based on the Interest Settlement Rate of the British Bankers’ Association (“BBA”) for one-month U.S. dollar deposits. The “Interest Settlement Rate” is found on Telerate page 3750 as of 11:00 a.m. (London time) on that date. Currently, it is based on rates quoted by 16 BBA-designated banks as being, in their view, the offered rate at which these deposits are being quoted to prime banks in the London interbank market. The Interest Settlement Rate is calculated by eliminating the four highest rates and the four lowest rates, averaging the eight remaining rates, carrying the percentage result to six decimal places and rounding to five decimal places.

If we are unable to use the method described above, we will calculate LIBOR using the quotations for one-month U.S. dollar deposits offered by the principal London office of each of the Reference Banks (as defined below) as of 11:00 a.m. (London time) on each Index Determination Date. We may rely on these quotations as they appear on the Reuters Screen LIBO Page (as defined in the *International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps*, 1986 Edition). Alternatively, we may obtain them directly from the Reference Banks.

Under this method, LIBOR is calculated on each Index Determination Date as follows:

- If at least two Reference Banks are making quotations, LIBOR for the next Interest Accrual Period shall be the arithmetic mean of those quotations (rounded upwards, if necessary, to the nearest  $\frac{1}{32}$  of 1%).
- Otherwise, LIBOR for the next Interest Accrual Period shall be the LIBOR that was determined on the previous Index Determination Date or the Reserve Interest Rate, whichever is higher.

The “Reserve Interest Rate” means the annual rate that we determine as the arithmetic mean (rounded upwards, if necessary, to the nearest  $\frac{1}{32}$  of 1%) of the one-month U.S. dollar lending rates that New York City banks (which we select) are then quoting to the principal London offices of at least two of the Reference Banks. If we cannot establish the arithmetic mean, then the Reserve Interest Rate is the lowest one-month U.S. dollar lending rate that New York City banks (which we select) are then quoting to leading European banks. The term “Reference Bank” means a leading bank (that we do not control either solely or with a third party) which engages in Eurodollar deposit transactions in the international Eurocurrency market.

If we are unable to calculate LIBOR on the initial Index Determination Date, LIBOR for the following Interest Accrual Period will be equal to 1.84%.

## Distributions of Principal

*General.* The outstanding principal balance of any Certificate as of any date of determination is equal to the initial outstanding principal balance of that Certificate, reduced by all amounts previously paid as principal on that Certificate.

We define certain capitalized terms used in the two following sections under “—Certain Definitions Relating to Payments on the Certificates” below.

*Categories of Classes.* For the purpose of principal payments, the Classes will be categorized as follows:

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay . . . . .	A1, A3, A5, A6, A7, A8, A9, A11, A12, A15, A16, A17, A18, A19, A21, A22, A32, A34, A35, A37 and A39
Pass-Through . . . . .	PO
Accretion Directed . . . . .	A1, A3, A5, A6, A7, A8, A9, A12, A15, A16, A17, A18, A19, A21, A22, A32, A34, A35, A37 and A39
Notional . . . . .	IO, A24, A25, A26, A33, A36, A38, A20, A23, A28, A31, A40, A41 and A42
RCR** . . . . .	A2, A4, A10, A13, A14, A27, A29, A30, A43 and A44
No Payment Residual . . . . .	R and RL

\* See “—Class Definitions and Abbreviations” below.

\*\* See “—Combination and Recombination” above and Schedule 1 for a further description of the RCR Classes.

*Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal in an aggregate amount (the “Principal Distribution Amount”) equal to the sum of the following:

- the PO Principal Distribution Amount,
- the A11 Accrual Amount,
- the Non-PO Cash Flow Distribution Amount, and
- the Non-Discount Cash Flow Distribution Amount

On each Distribution Date, we will pay the PO Principal Distribution Amount as principal of the PO Class, until its principal balance is reduced to zero. } Pass-Through Class

On each Distribution Date, we will pay the sum of (i) the A11 Accrual Amount, (ii) the Non-PO Cash Flow Distribution Amount and (iii) the Non-Discount Cash Flow Distribution Amount as principal of the Classes listed below in the following priority:

- (i) concurrently, to the A1, A12, A21, A9, A32, A34 and A35 Classes, in the proportions of 17.6185184181%, 13.6882335402%, 14.2208549047%, 37.5347201595%, 6.6428287885%, 0.3907546346% and 9.9040895544%, respectively, until the principal balances of the A1, A12 and A21 Classes are reduced to zero;
- (ii) concurrently, to the A3, A16, A17, A22, A9, A32, A34 and A35 Classes, in the proportions of 35.8534009829%, 0.7417156802%, 3.8566473354%, 8.7568281127%, 34.9983022926%, 6.1939380134%, 0.3643492949% and 9.2348182879%, respectively, until the principal balances of the A3, A16, A17 and A22 Classes are reduced to zero;
- (iii) concurrently, to the A5, A15, A18, A19, A9, A32, A34 and A35 Classes, in the proportions of 14.7595160814%, 33.0480967837%, 1.8961345530%, 9.8595455887%, 27.8632972365%, 4.9311973618%, 0.2900704330% and 7.3521419619%, respectively, until the principal balances of the A5, A15, A18 and A19 Classes are reduced to zero; } Sequential Pay / Accretion Directed Classes
- (iv) concurrently, to the A6, A9, A32, A34 and A35 Classes, in the proportions of 70%, 20.6717850995%, 3.6584561863%, 0.2152033051% and 5.4545554091%, respectively, until the principal balance of the A35 Class is reduced to zero;
- (v) concurrently, to the A6, A9, A32, A34, A37 and A39 Classes, in the proportions of 70%, 20.6717850995%, 3.6584561863%, 0.2152033050%, 5.1515245531% and 0.3030308561, respectively, until the principal balance of the A6 Class is reduced to zero;
- (vi) concurrently, to the A7, A9, A32, A34, A37 and A39 Classes, in the proportions of 77.777777778%, 15.3124334070%, 2.7099675454%, 0.1594098556%, 3.8159441134% and 0.2244673008%, respectively, until the principal balance of the A7 Class is reduced to zero;

(vii) concurrently, to the A8, A9, A32, A34, A37 and A39 Classes, in the proportions of 81.3953488372%, 12.8197116896%, 2.2688100380%, 0.1334594140%, 3.1947439089% and 0.1879261123%, respectively, until their principal balances are reduced to zero; and

} Sequential  
Pay / Accretion  
Directed  
Classes

(viii) to the A11 Class, until its principal balance is reduced to zero.

} Sequential  
Pay  
Class

We will include principal prepayments (including net liquidation proceeds) in amounts paid as principal of the Certificates on each Distribution Date, provided that the Servicer gives us information about them in time for the published class factors for that month. See “Reference Sheet—Class Factors” in this prospectus. If we do not receive the information on time, we will pay the prepayments on the next Distribution Date.

We will apply principal payments from exchanged REMIC Certificates to the corresponding RCR Certificates, on a pro rata basis, following any exchange.

### **Certain Definitions Relating to Payments on the Certificates**

*A11 Accrual Amount.* For any Distribution Date, the amount of interest accrued and added to the principal balance of the A11 Class.

*Discount Loans.* Mortgage Loans having Net Mortgage Rates lower than 6.75%.

*Due Date.* For any Distribution Date, the first day of the calendar month in which that Distribution Date occurs.

*Due Period.* For any Distribution Date, the period beginning on the second day of the month immediately preceding the month in which that Distribution Date occurs and ending on the first day of the month in which that Distribution Date occurs.

*Liquidated Loan.* A defaulted Mortgage Loan with respect to which the Servicer has concluded that the full amount finally recoverable on account of that loan has been received, whether or not this amount is equal to the principal balance of that loan.

*Net Mortgage Rate.* For any Mortgage Loan, the Mortgage Interest Rate of that loan *minus* the sum of (i) the Servicing Fee Rate, (ii) the rate at which the Guaranty Fee is calculated with respect to that loan and (iii) any premium amounts required to be paid by the Servicer for any lender-purchased mortgage insurance.

*Non-Discount Loans.* Mortgage Loans having Net Mortgage Rates greater than or equal to 6.75%.

*Non-Discount Cash Flow Distribution Amount.* For any Distribution Date, the sum of the following amounts for all Non-Discount Loans, without duplication:

- the monthly payment of principal due on each Non-Discount Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Non-Discount Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Non-Discount Loan that was reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment of each Non-Discount Loan that was reported as received by the Servicer during the related Due Period.

*Non-PO Percentage.* For any Discount Loan, the related Net Mortgage Rate *divided* by 6.75%, expressed as a percentage.

*Non-PO Cash Flow Distribution Amount.* For any Distribution Date, the sum of the following amounts for all Discount Loans, without duplication:

- the Non-PO Percentage of the monthly payment of principal due on each Discount Loan during the related Due Period, *plus*
- the Non-PO Percentage of the Stated Principal Balance of each Discount Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Non-PO Percentage of the Stated Principal Balance of each Discount Loan that was reported as having become a Liquidated Loan during the related Due Period, *plus*
- the Non-PO Percentage of any partial or full principal prepayment of each Discount Loan that was reported as received by the Servicer during the related Due Period.

*PO Percentage.* For any Discount Loan, (6.75% *minus* the related Net Mortgage Rate) *divided* by 6.75%, expressed as a percentage.

*PO Principal Distribution Amount.* For any Distribution Date, the sum of the following amounts for all Discount Loans, without duplication:

- the PO Percentage of the monthly payment of principal due on each Discount Loan during the related Due Period, *plus*
- the PO Percentage of the Stated Principal Balance of each Discount Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the PO Percentage of the Stated Principal Balance of each Discount Loan that was reported as having become a Liquidated Loan during the related Due Period, *plus*
- the PO Percentage of any partial or full principal prepayment of each Discount Loan that was reported as received by the Servicer during the related Due Period.

*Servicing Fee Rate.* The percentage identified on the Mortgage Loan Schedule.

*Stated Principal Balance.* The unpaid principal balance of a Mortgage Loan (or the scheduled unpaid principal balance thereof, in the case of Mortgage Loans that are delinquent) as of the Issue Date reduced by all amounts representing principal received or advanced by the Servicer and previously paid to Certificateholders with respect to that loan.

## **Class Definitions and Abbreviations**

Classes of Certificates fall into different categories. The following chart identifies and generally defines the categories of Classes specified on the cover page of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
INTEREST TYPES		
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
IO	Interest Only	Receives some or all of the interest payments made on the Mortgage Loans or other assets of the trust but little or no principal. Interest Only Classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate amount of interest due on an Interest Only Class. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other classes.
NPR	No Payment Residual	Receives no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.
Z	Accrual	Accretes the amount of interest otherwise distributable on this class. The accreted amount is added as principal to the principal balance of the Accrual Class on each Distribution Date.

#### PRINCIPAL TYPES

AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on an Accrual Class.
NPR	No Payment Residual	Receives no payments of principal.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on some or all of the Mortgage Loans.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule. It receives payments of principal continuously from the first Distribution Date on which it receives principal until the Class is retired.

#### Special Characteristics of the R and RL Classes

The R and RL Classes will not have principal balances and will not bear interest. If any assets of the Trust remain after the principal balances of all Classes are reduced to zero, we will pay the Holder of the R Class the proceeds of those assets. If any assets of the Lower Tier REMIC remain after the principal balances of the Lower Tier Regular Interests are reduced to zero, we will pay the proceeds of those assets to the Holder of the RL Class. We do not expect that any material assets will remain in either case.

No R or RL Certificate may be transferred to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them

(other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers' cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which the R or RL Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

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

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of a Residual Certificate—Sales and Other Dispositions of a Residual Certificate—Residual Certificate Transferred to or Held by Disqualified Organizations*” in this prospectus. The transferee also must deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number.

The affidavit must also state that the transferee is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate and that, if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate.

No R or RL Certificate may be transferred to any person that is not a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate without our written consent. The term “U.S. Person” means

- a citizen or resident of the United States,
- a corporation, partnership or other entity created under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income or
- a trust if a court within the United States can exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust.

Under regulations issued by the Treasury Department (the “Regulations”), if a “noneconomic residual interest” is transferred, the transfer will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R and RL Classes will constitute noneconomic residual interests under the Regulations.

Under the Regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection to tax” means that the transferor of the R or RL Class had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be willing or unable to pay taxes due on its share of the taxable income of the REMIC trust. A transferor is presumed not to have improper knowledge if two conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above.

The Treasury Department has proposed an amendment to the Regulations that would add a third condition, effective February 4, 2000. According to the proposed amendment, a transferor of the R or RL Class would be presumed not to have improper knowledge only if the present value of the anticipated tax liabilities associated with holding the R or RL Class is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the R or RL Class, (ii) expected future distributions on the R or RL Class, and (iii) anticipated tax savings associated with holding the R or RL Class as the related REMIC trust generates losses.

The IRS has since issued a Revenue Procedure creating a safe harbor that may be used for transfers of noneconomic residual interests pending the finalization of the proposed amendment. Under this safe harbor, a transferor of a noneconomic residual interest will be presumed not to have improper knowledge if, in addition to meeting the two conditions contained in the Regulations, either (i) the terms of the proposed amendment are complied with or (ii) the transferee’s gross assets exceed \$100 million and its net assets exceed \$10 million (in each case, at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer), the transferee is an “eligible corporation” as defined in section 860L(a)(2) of the Code, the transferee agrees in writing that any subsequent transfer of the residual interest will be to an eligible corporation and will comply with the safe harbor, and the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid. The Revenue Procedure contains additional details regarding its application, and you should consult your own tax advisor regarding the application of the Revenue Procedure to an actual transfer of the R or RL Class.

The Treasury Department has recently adopted final regulations regarding the safe harbor for transfers of noneconomic residual interests (the “Final Regulations”). The Final Regulations adopt the two safe harbors set forth in the Revenue Procedure, with several modifications. Under the Final Regulations, the safe harbor applies only if the transferee represents that income from the Residual Certificate will not be attributed to a foreign permanent establishment or fixed base of the transferee or another U.S. taxpayer. Other modifications are made to the manner for determining the adequacy of any inducement payment to be made to the transferee. The Final Regulations generally apply to transfers of noneconomic residual interests occurring on or after February 4, 2000, and thus will apply to transfers of an R or RL Certificate. However, to the extent provided in the Final Regulations, taxpayers generally can continue to rely on the Revenue Procedure for transfers occurring before August 19, 2002. The Final Regulations contain additional details regarding their application and you should consult your own tax adviser regarding the application of the Final Regulations to a transfer of a Residual Certificate.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes.” Pursuant to the Trust Agreement we will be obligated to provide to the Holder or Holders of the R and RL Classes (i) information that they need to prepare their federal income tax returns and (ii) any reports regarding the R or RL Class that may be required under the Code.

## Structuring Assumptions

*Pricing Assumptions.* Except where otherwise noted, the information in the tables in this prospectus has been prepared on the basis of (i) the assumed characteristics of the Mortgage Loans set forth in this prospectus and (ii) the following assumptions (collectively, the “Pricing Assumptions”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the constant percentages of the Prepayment Assumption specified in the related table;
- the Servicer does not exercise its repurchase option;
- the settlement date for the sale of the Certificates occurs on July 30, 2002; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in August 2002.

*Prepayment Assumption.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used here (the “Prepayment Assumption”) represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans. A 100% Prepayment Assumption assumes a Constant Prepayment Rate (“CPR”) of 10.0% per annum of the then outstanding principal balance of the mortgage loans in the first month of the life of the mortgage loans, and an additional 1.36363636% (precisely 15/11) per annum in each month thereafter until the twelfth month. Beginning in the thirteenth month, and in each month thereafter during the life of the mortgage loans, a 100% Prepayment Assumption assumes a CPR of 25% per annum each month. A 50% Prepayment Assumption assumes prepayment rates equal to 50% of the Prepayment Assumption. Correspondingly, a 200% Prepayment Assumption assumes prepayment rates equal to 200% of the Prepayment Assumption, and so forth. *This model does not predict the prepayment experience of the Mortgage Loans or describe the historic performance of any particular pool of mortgage loans, including the Mortgage Loans.*

## Yield Tables

*General.* The tables below illustrate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Classes to various constant percentages of the Prepayment Assumption. We calculated the yields set forth in the tables by

- determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present values of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes, and
- converting such monthly rates to corporate bond equivalent rates.

These calculations do not take into account variations in the interest rates at which you could reinvest distributions on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when such reinvestment rates are taken into account.

We cannot assure you that

- the pre-tax yields on the applicable Certificates will correspond to any of the pre-tax yields shown here or
- the aggregate purchase prices of the applicable Certificates will be as assumed.

Furthermore, because some of the Mortgage Loans are likely to have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the

principal payments on the Certificates are likely to differ from those assumed. This would be the case even if all Mortgage Loans prepay at the indicated constant percentages of the Prepayment Assumption. Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant percentage of the Prepayment Assumption until maturity, or
- the Mortgage Loans will prepay at the same rate.

*The IO Class and Fixed Rate Interest Only Classes.* **The yield to investors in the IO Class and the Fixed Rate Interest Only Classes will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. Except as discussed under “The Mortgage Loans—General” in this prospectus, the Mortgage Loans generally can be prepaid by the related borrowers with no prepayment premium. On the basis of the assumptions described below, the yield to maturity on the IO Class and the Fixed Rate Interest Only Classes would be 0% if prepayments of the related Mortgage Loans were to occur at the constant rates shown in the table below:**

<u>Class</u>	<u>% of Prepayment Assumption</u>
IO	137%
A13	120%
A20	105%
A23	117%
A28	111%
A31	111%
A40	105%
A41	111%
A42	117%

**For the IO Class and any Fixed Rate Interest Only Class, if the actual prepayment rate of the related Mortgage Loans were to exceed the level specified for as little as one month while equaling that level for the remaining months, the investors in the applicable Class would lose money on their initial investments.**

We cannot assure you that:

- the Mortgage Loans will prepay at any of the assumed rates in this prospectus or at any other particular rate;
- the pre-tax yields on the IO Class and the Fixed Rate Interest Only Classes will correspond to any of the pre-tax yields shown in this prospectus; or
- the aggregate purchase prices of the IO Class and the Fixed Rate Interest Only Classes will be the prices assumed below.

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the IO Class and the Fixed

Rate Interest Only Classes (expressed in each case as a percentage of the original notional principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
IO .....	1.31250%
A13 .....	9.87500%
A20 .....	4.21875%
A23 .....	25.25000%
A28 .....	14.25000%
A31 .....	14.25000%
A40 .....	4.21875%
A41 .....	14.25000%
A42 .....	25.25000%

\* The prices do not include accrued interest. Accrued interest has been added to the prices in calculating the yields set forth in the tables below.

#### Sensitivity of the IO Class to Prepayments\*

	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
<u>Pre-Tax Yields to Maturity . .</u>	26.9%	11.9%	(4.4)%	(22.2)%

\* Applies only to Non-Discount Loans.

#### Sensitivity of the A13 Class to Prepayments

	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
<u>Pre-Tax Yields to Maturity . .</u>	44.5%	13.4%	(20.8)%	(55.3)%

#### Sensitivity of the A20 Class to Prepayments

	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
<u>Pre-Tax Yields to Maturity . .</u>	102.9%	9.1%	(61.8)%	*

\* The pre-tax yield to maturity would be less than (99.9)%.

#### Sensitivity of the A23 Class to Prepayments

	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
<u>Pre-Tax Yields to Maturity . .</u>	23.4%	7.4%	(16.2)%	(44.2)%

#### Sensitivity of the A28 Class to Prepayments

	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
<u>Pre-Tax Yields to Maturity . .</u>	38.8%	8.0%	(29.0)%	(65.4)%

### Sensitivity of the A31 Class to Prepayments

	% of Prepayment Assumption			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity . .	38.8%	8.0%	(29.0)%	(65.4)%

### Sensitivity of the A40 Class to Prepayments

	% of Prepayment Assumption			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity . .	102.9%	9.1%	(61.8)%	*

\* The pre-tax yield to maturity would be less than (99.9)%.

### Sensitivity of the A41 Class to Prepayments

	% of Prepayment Assumption			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity . .	38.8%	8.0%	(29.0)%	(65.4)%

### Sensitivity of the A42 Class to Prepayments

	% of Prepayment Assumption			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity . .	23.4%	7.4%	(16.2)%	(44.2)%

***The Inverse Floating Rate Classes.*** The yields on the Inverse Floating Rate Classes will be sensitive in varying degrees to the rate of principal payments, including prepayments, of the related Mortgage Loans and to the level of the Index. The Mortgage Loans generally can be prepaid at any time without penalty. In addition, the rate of principal payments (including prepayments) of the related Mortgage Loans is likely to vary, and may vary considerably. As illustrated in the tables below, it is possible that investors in the Inverse Floating Rate Classes would lose money on their initial investments under certain Index and prepayment scenarios.

Changes in the Index may not correspond to changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur while the level of the Index increased.

The information shown in the yield tables has been prepared on the basis of the Pricing Assumptions and the assumptions that

- the interest rates for the Inverse Floating Rate Classes for the initial Interest Accrual Period are the rates listed in the table under “Reference Sheet—Interest Rates” in this prospectus and for each following Interest Accrual Period will be based on the specified level of the Index, and

- the aggregate purchase prices of those Classes (expressed in each case as a percentage of original principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
A34 .....	101.0000%
A39 .....	93.0000%
A24 .....	8.1875%
A25 .....	0.1250%
A26 .....	0.1250%
A33 .....	9.5000%
A36 .....	7.7500%
A38 .....	17.0000%
A10 .....	8.5000%
A43 .....	8.1875%

\* The prices do not include accrued interest. Accrued interest has been added to the prices in calculating the yields set forth in the tables below.

**Sensitivity of the A34 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84% .....	13.3%	13.1%	12.9%	12.7%
1.84% .....	11.6%	11.4%	11.2%	11.0%
3.84% .....	8.2%	8.0%	7.9%	7.7%
5.84% .....	4.7%	4.6%	4.5%	4.4%
7.84% .....	1.4%	1.3%	1.3%	1.2%
8.68% .....	(0.0)%	(0.1)%	(0.1)%	(0.2)%

**Sensitivity of the A39 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84% .....	14.2%	14.6%	15.1%	15.6%
1.84% .....	12.3%	12.7%	13.2%	13.8%
3.84% .....	8.6%	9.0%	9.6%	10.2%
5.84% .....	5.0%	5.4%	5.9%	6.6%
7.84% .....	1.4%	1.8%	2.4%	3.0%
8.30% .....	0.6%	1.0%	1.6%	2.2%

**Sensitivity of the A24 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84% .....	82.1%	60.1%	36.1%	10.2%
1.84% .....	66.7%	45.0%	21.4%	(3.9)%
3.84% .....	37.0%	15.8%	(7.2)%	(31.9)%
5.84% .....	8.2%	(13.2)%	(36.6)%	(61.3)%
7.84% .....	(31.0)%	(58.0)%	(85.5)%	*
8.00% and above .....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A25 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
8.000% and below .....	23.0%	1.9%	(21.1)%	(45.7)%
8.025% .....	(0.2)%	(22.1)%	(45.9)%	(70.9)%
8.050% and above .....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A26 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
8.050% and below .....	23.0%	1.9%	(21.1)%	(45.7)%
8.075% .....	(0.2)%	(22.1)%	(45.9)%	(70.9)%
8.100% .....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A33 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84% .....	75.6%	53.7%	29.9%	4.3%
1.84% .....	62.4%	40.9%	17.4%	(7.8)%
3.84% .....	37.0%	15.9%	(7.1)%	(31.9)%
5.84% .....	12.3%	(9.0)%	(32.2)%	(56.9)%
7.84% .....	(14.9)%	(38.5)%	(63.7)%	(89.4)%
8.68% .....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A36 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84%.....	88.4%	62.6%	32.9%	0.4%
1.84%.....	71.7%	46.1%	16.3%	(15.9)%
3.84%.....	39.6%	13.3%	(17.1)%	(48.9)%
5.84%.....	7.9%	(21.3)%	(53.3)%	(84.8)%
7.60%.....	(27.9)%	(64.8)%	(99.8)%	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A38 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84%.....	47.7%	45.5%	39.4%	28.8%
1.84%.....	40.9%	38.0%	30.9%	19.2%
3.84%.....	27.1%	22.2%	12.6%	(1.4)%
5.84%.....	12.2%	3.7%	(9.5)%	(26.7)%
7.84%.....	(11.0)%	(28.1)%	(48.7)%	(71.5)%
8.30%.....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A10 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84%.....	79.4%	57.4%	33.5%	7.7%
1.84%.....	64.6%	43.0%	19.5%	(5.9)%
3.84%.....	36.1%	15.0%	(8.0)%	(32.8)%
5.84%.....	8.4%	(13.0)%	(36.3)%	(61.1)%
7.84%.....	(27.1)%	(53.1)%	(80.0)%	*
8.10%.....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the A43 Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.84%.....	82.9%	60.9%	36.8%	11.0%
1.84%.....	67.5%	45.8%	22.2%	(3.2)%
3.84%.....	37.7%	16.6%	(6.4)%	(31.2)%
5.84%.....	8.9%	(12.5)%	(35.8)%	(60.5)%
7.84%.....	(28.6)%	(55.1)%	(82.2)%	*
8.10%.....	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

*The PO Class.* **The PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Discount Loans will have a negative effect on the yield to investors in the PO Class.**

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the PO Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price</u>
PO .....	66.0%

#### **Sensitivity of the PO Class to Prepayments\***

	<u>% of Prepayment Assumption</u>			
	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
<u>Pre-Tax Yields to Maturity . .</u>	7.5%	14.5%	22.4%	31.1%

\* Applies only to Discount Loans.

#### **Weighted Average Lives of the Certificates**

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

- (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date,
- (b) summing the results, and
- (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments are made on the related Mortgage Loans. For the purpose of the preceding sentence, principal payments include scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to either our guaranty of payment or our option to repurchase. The interaction of the above factors may result in differing principal prepayment speeds on the Classes of Certificates. Accordingly, we cannot give any assurance as to the weighted average lives of the Certificates.

#### **Maturity Considerations and Final Distribution Date**

We expect the maturities of substantially all of the Mortgage Loans to be between 20 and 30 years. Each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of the Mortgage Loan by its maturity date.

The “Final Distribution Date” for each Class of Certificates is the date by which the principal balance of that Class is required to be fully paid and is specified on the cover of this prospectus. The Final Distribution Date of the Certificates will be determined so that distributions on the Mortgage Loans will be sufficient to retire the Classes of Certificates on or before the Final Distribution Date without the necessity of any call on our guaranty.

## Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various constant percentages of the Prepayment Assumption and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions. However, in the case of the information set forth for each Class under 0% of the Prepayment Assumption, we assumed that the Mortgage Loans have the original and remaining terms to maturity and bear interest at the annual rates specified in the table below.

	<u>Original Term to Maturity</u>	<u>Remaining Term to Maturity</u>	<u>Interest Rate</u>
Discount Loans	357	357	7.222375129%
Non-Discount Loans	359	359	7.977880886%

It is *unlikely* that all the Mortgage Loans:

- will have the interest rates or remaining terms to maturity assumed or
- will prepay at any constant percentage of the Prepayment Assumption.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified constant percentages of the Prepayment Assumption. This would be the case even if the weighted average maturities of the Mortgage Loans are identical to the weighted average maturities specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	A1, A12, A21, A20† and A40† Classes					A3, A16, A17, A22, A28†, A31† and A41† Classes					A5, A15, A18, A19, A23† and A42† Classes				
	% of Prepayment Assumption					% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	96	61	25	0	0	100	100	100	92	65	100	100	100	100	100
July 2004	92	17	0	0	0	100	100	64	22	0	100	100	100	100	59
July 2005	88	0	0	0	0	100	85	24	0	0	100	100	100	36	0
July 2006	83	0	0	0	0	100	61	0	0	0	100	100	82	0	0
July 2007	78	0	0	0	0	100	40	0	0	0	100	100	14	0	0
July 2008	73	0	0	0	0	100	21	0	0	0	100	100	0	0	0
July 2009	67	0	0	0	0	100	5	0	0	0	100	100	0	0	0
July 2010	61	0	0	0	0	100	0	0	0	0	100	72	0	0	0
July 2011	54	0	0	0	0	100	0	0	0	0	100	35	0	0	0
July 2012	47	0	0	0	0	100	0	0	0	0	100	2	0	0	0
July 2013	39	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2014	31	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2015	22	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2016	12	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2017	1	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2018	0	0	0	0	0	92	0	0	0	0	100	0	0	0	0
July 2019	0	0	0	0	0	83	0	0	0	0	100	0	0	0	0
July 2020	0	0	0	0	0	74	0	0	0	0	100	0	0	0	0
July 2021	0	0	0	0	0	63	0	0	0	0	100	0	0	0	0
July 2022	0	0	0	0	0	52	0	0	0	0	100	0	0	0	0
July 2023	0	0	0	0	0	40	0	0	0	0	100	0	0	0	0
July 2024	0	0	0	0	0	27	0	0	0	0	100	0	0	0	0
July 2025	0	0	0	0	0	12	0	0	0	0	100	0	0	0	0
July 2026	0	0	0	0	0	0	0	0	0	0	91	0	0	0	0
July 2027	0	0	0	0	0	0	0	0	0	0	41	0	0	0	0
July 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	9.0	1.3	0.7	0.5	0.4	20.0	4.6	2.4	1.6	1.2	24.8	8.7	4.5	2.9	2.1

\*\* Determined as specified under “—Weighted Average Lives of the Certificates” above.

† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

Date	A6 Class					A7 Class					A8 Class				
	% of Prepayment Assumption					% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2004	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2005	100	100	100	100	13	100	100	100	100	100	100	100	100	100	100
July 2006	100	100	100	34	0	100	100	100	100	25	100	100	100	100	100
July 2007	100	100	100	0	0	100	100	100	58	0	100	100	100	100	35
July 2008	100	100	45	0	0	100	100	100	10	0	100	100	100	100	0
July 2009	100	100	0	0	0	100	100	89	0	0	100	100	100	32	0
July 2010	100	100	0	0	0	100	100	45	0	0	100	100	100	0	0
July 2011	100	100	0	0	0	100	100	13	0	0	100	100	100	0	0
July 2012	100	100	0	0	0	100	100	0	0	0	100	100	60	0	0
July 2013	100	60	0	0	0	100	100	0	0	0	100	100	0	0	0
July 2014	100	23	0	0	0	100	100	0	0	0	100	100	0	0	0
July 2015	100	0	0	0	0	100	89	0	0	0	100	100	0	0	0
July 2016	100	0	0	0	0	100	59	0	0	0	100	100	0	0	0
July 2017	100	0	0	0	0	100	32	0	0	0	100	100	0	0	0
July 2018	100	0	0	0	0	100	9	0	0	0	100	100	0	0	0
July 2019	100	0	0	0	0	100	0	0	0	0	100	58	0	0	0
July 2020	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2021	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2022	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2023	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2024	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2025	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2026	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2027	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2028	81	0	0	0	0	100	0	0	0	0	100	0	0	0	0
July 2029	0	0	0	0	0	95	0	0	0	0	100	0	0	0	0
July 2030	0	0	0	0	0	1	0	0	0	0	100	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	26.4	11.3	6.0	3.9	2.8	27.5	14.4	8.0	5.2	3.7	28.2	17.2	10.2	6.8	4.9

Date	A9, A32, A34, A24†, A25†, A26†, A33†, A10†, A27, A43† and A44 Classes					A11 Class					A35 and A36† Classes				
	% of Prepayment Assumption					% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	99	87	74	62	51	107	107	107	107	107	99	86	72	59	47
July 2004	97	72	50	32	18	114	114	114	114	114	97	70	46	27	11
July 2005	96	59	33	15	6	122	122	122	122	122	96	56	28	8	0
July 2006	94	49	20	7	2	131	131	131	131	131	94	45	14	0	0
July 2007	93	40	13	4	*	140	140	140	140	140	92	35	6	0	0
July 2008	91	32	8	1	0	150	150	150	150	93	90	26	*	0	0
July 2009	89	25	5	*	0	160	160	160	160	46	88	19	0	0	0
July 2010	87	19	3	0	0	171	171	171	126	23	86	13	0	0	0
July 2011	85	15	2	0	0	183	183	183	77	11	83	8	0	0	0
July 2012	82	11	1	0	0	196	196	196	47	5	81	4	0	0	0
July 2013	79	9	0	0	0	210	210	205	29	3	78	1	0	0	0
July 2014	77	7	0	0	0	224	224	150	18	1	75	0	0	0	0
July 2015	73	5	0	0	0	240	240	109	11	1	71	0	0	0	0
July 2016	70	4	0	0	0	257	257	79	6	*	68	0	0	0	0
July 2017	67	2	0	0	0	274	274	58	4	*	64	0	0	0	0
July 2018	63	1	0	0	0	294	294	42	2	*	60	0	0	0	0
July 2019	59	1	0	0	0	314	314	30	1	*	56	0	0	0	0
July 2020	55	0	0	0	0	336	329	21	1	*	51	0	0	0	0
July 2021	50	0	0	0	0	359	272	15	*	*	46	0	0	0	0
July 2022	45	0	0	0	0	384	224	11	*	*	41	0	0	0	0
July 2023	40	0	0	0	0	411	182	7	*	*	35	0	0	0	0
July 2024	34	0	0	0	0	440	146	5	*	*	29	0	0	0	0
July 2025	28	0	0	0	0	470	115	3	*	*	22	0	0	0	0
July 2026	22	0	0	0	0	503	89	2	*	*	15	0	0	0	0
July 2027	16	0	0	0	0	538	66	1	*	*	9	0	0	0	0
July 2028	10	0	0	0	0	576	47	1	*	*	3	0	0	0	0
July 2029	5	0	0	0	0	616	31	1	*	*	0	0	0	0	0
July 2030	1	0	0	0	0	658	18	*	*	*	0	0	0	0	0
July 2031	0	0	0	0	0	388	7	*	*	*	0	0	0	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.6	4.9	2.6	1.7	1.3	29.1	22.1	14.1	9.5	6.8	16.8	4.1	2.2	1.5	1.1

\* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.  
\*\* Determined as specified under “—Weighted Average Lives of the Certificates” above.  
† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

Date	A37, A39 and A38† Classes					IO† Class					PO Class				
	% of Prepayment Assumption					% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	100	100	100	100	100	99	89	79	69	59	99	89	79	69	59
July 2004	100	100	100	100	100	98	77	59	43	29	98	77	59	43	29
July 2005	100	100	100	100	81	97	67	44	27	14	97	67	44	26	14
July 2006	100	100	100	97	29	96	58	32	16	7	96	58	32	16	7
July 2007	100	100	100	47	5	95	50	24	10	4	94	50	24	10	4
July 2008	100	100	100	20	0	94	43	18	6	2	93	43	18	6	2
July 2009	100	100	64	5	0	92	37	13	4	1	91	37	13	4	1
July 2010	100	100	40	0	0	91	32	10	2	*	90	32	10	2	*
July 2011	100	100	22	0	0	89	28	7	1	*	88	27	7	1	*
July 2012	100	100	9	0	0	88	24	5	1	*	86	23	5	1	*
July 2013	100	100	0	0	0	86	20	4	1	*	84	20	4	1	*
July 2014	100	88	0	0	0	84	17	3	*	*	82	17	3	*	*
July 2015	100	65	0	0	0	82	15	2	*	*	79	14	2	*	*
July 2016	100	48	0	0	0	79	13	1	*	*	77	12	1	*	*
July 2017	100	33	0	0	0	77	11	1	*	*	74	10	1	*	*
July 2018	100	19	0	0	0	74	9	1	*	*	71	9	1	*	*
July 2019	100	8	0	0	0	71	7	1	*	*	68	7	1	*	*
July 2020	100	0	0	0	0	67	6	*	*	*	65	6	*	*	*
July 2021	100	0	0	0	0	64	5	*	*	*	61	5	*	*	*
July 2022	100	0	0	0	0	60	4	*	*	*	57	4	*	*	*
July 2023	100	0	0	0	0	56	3	*	*	*	53	3	*	*	*
July 2024	100	0	0	0	0	51	3	*	*	*	48	3	*	*	*
July 2025	100	0	0	0	0	47	2	*	*	*	44	2	*	*	*
July 2026	100	0	0	0	0	41	2	*	*	*	38	2	*	*	*
July 2027	100	0	0	0	0	36	1	*	*	*	33	1	*	*	*
July 2028	100	0	0	0	0	29	1	*	*	*	27	1	*	*	0
July 2029	68	0	0	0	0	23	1	*	*	*	20	1	*	*	0
July 2030	15	0	0	0	0	16	*	*	*	*	13	*	*	*	0
July 2031	0	0	0	0	0	8	*	*	*	*	6	*	*	*	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	27.4	14.2	7.9	5.2	3.7	20.4	6.8	3.6	2.3	1.7	19.8	6.7	3.6	2.3	1.7

Date	A2, A29 and A30 Classes					A4 and A14 Classes					A13† Class				
	% of Prepayment Assumption					% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2003	98	79	59	42	30	100	100	100	95	81	98	81	64	49	38
July 2004	96	55	29	10	0	100	100	81	58	27	96	61	37	20	6
July 2005	94	39	11	0	0	100	92	59	17	0	94	46	20	4	0
July 2006	91	28	0	0	0	100	79	37	0	0	92	36	8	0	0
July 2007	88	18	0	0	0	100	67	6	0	0	90	27	1	0	0
July 2008	85	10	0	0	0	100	57	0	0	0	87	19	0	0	0
July 2009	82	2	0	0	0	100	49	0	0	0	84	12	0	0	0
July 2010	79	0	0	0	0	100	33	0	0	0	81	7	0	0	0
July 2011	75	0	0	0	0	100	16	0	0	0	78	4	0	0	0
July 2012	71	0	0	0	0	100	1	0	0	0	75	*	0	0	0
July 2013	67	0	0	0	0	100	0	0	0	0	71	0	0	0	0
July 2014	63	0	0	0	0	100	0	0	0	0	67	0	0	0	0
July 2015	58	0	0	0	0	100	0	0	0	0	63	0	0	0	0
July 2016	52	0	0	0	0	100	0	0	0	0	58	0	0	0	0
July 2017	47	0	0	0	0	100	0	0	0	0	53	0	0	0	0
July 2018	42	0	0	0	0	96	0	0	0	0	49	0	0	0	0
July 2019	38	0	0	0	0	91	0	0	0	0	45	0	0	0	0
July 2020	34	0	0	0	0	86	0	0	0	0	41	0	0	0	0
July 2021	29	0	0	0	0	80	0	0	0	0	37	0	0	0	0
July 2022	24	0	0	0	0	74	0	0	0	0	32	0	0	0	0
July 2023	18	0	0	0	0	67	0	0	0	0	27	0	0	0	0
July 2024	12	0	0	0	0	60	0	0	0	0	21	0	0	0	0
July 2025	6	0	0	0	0	53	0	0	0	0	15	0	0	0	0
July 2026	0	0	0	0	0	42	0	0	0	0	9	0	0	0	0
July 2027	0	0	0	0	0	19	0	0	0	0	4	0	0	0	0
July 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	14.0	2.8	1.5	1.0	0.8	22.2	6.5	3.4	2.2	1.6	15.2	3.4	1.8	1.2	0.9

\* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.

\*\* Determined as specified under “—Weighted Average Lives of the Certificates” above.

† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

## THE AGREEMENTS

We summarize below certain provisions of the Trust Agreement and the Sale and Servicing Agreement not discussed elsewhere in this prospectus. Certain capitalized terms that we use in these summaries are defined in the Trust Agreement or the Sale and Servicing Agreement. These summaries are, by definition, not complete. If there is ever a conflict between the information in this prospectus and the actual terms of the Trust Agreement or the Sale and Servicing Agreement, as applicable, the terms of the Trust Agreement and the Sale and Servicing Agreement will prevail.

### **Transfer of Mortgage Loans to the Trust**

The Trust Agreement will contain a mortgage loan schedule (the “Mortgage Loan Schedule”) that will identify the Mortgage Loans that are being transferred to the Trust. As Trustee, we will hold, on behalf of the Certificateholders, the original Mortgage Notes, endorsed in blank, and assignments of the mortgage instruments to us in recordable form. Usually assignments are in a form suitable for recording but they are not recorded. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the properties are not located in the same recording jurisdiction, depending on the applicable Lender’s servicing experience and its financial condition. We may change these document custody requirements at any time, as long as we determine that any such change will not have a materially adverse effect on the interests of Certificateholders.

At our option, we may choose to maintain the documents described above with one or more custodian institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. We will review the Mortgage Loan Schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need.

If a liquidation, reorganization, or similar proceeding involving our assets or the assets of a Lender were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders’ rights to the Mortgage Loans in the event of a proceeding of this type.

### **Servicing Through Countrywide Home Loans Servicing LP**

Pursuant to the Sale and Servicing Agreement, we have contracted with the Servicer to service and administer the Mortgage Loans as more fully described below. The Sale and Servicing Agreement is a contract solely among Fannie Mae, the Servicer and the Seller. Certificateholders will not be deemed to be parties to it and will have no claims, rights, obligations, duties, or liabilities with respect to the Servicer.

The Servicer will be obligated to perform diligently all services and duties customary to the servicing of mortgages. We will monitor the Servicer’s performance and we have the right to remove the Servicer for cause at any time we consider its removal to be in the best interest of Certificateholders. The duties performed by the Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

Each month, an amount calculated based on the principal balance of each related Mortgage Loan will be retained to pay various Trust expenses, including servicing payable to the Servicer, mortgage insurance fees and amounts to compensate us for providing our guaranty (together, for any Mortgage Loan, the “Trust Expense Rate”). In addition, we are entitled to retain that portion of the proceeds of the liquidation of a Mortgage Loan that exceeds (i) the principal balance of that Mortgage Loan, (ii) interest owed through the end of the month of such liquidation at the Net Mortgage Rate and (iii) any compensation owed to us. We will pay all expenses incurred in connection with servicing activities, including, without limitation, the fees to the Servicer, and we are not entitled to be reimbursed for such expenses out of the assets of the Trust. Prepayment fees, late charges, assumption

fees and similar charges, to the extent they are collected from borrowers, will be retained by the Servicer as additional servicing compensation.

### **Distributions on Mortgage Loans; Deposits in the Certificate Account**

We will deposit or credit to one or more accounts (collectively, the “Certificate Account”) an amount equal to the sum of the amounts collected as principal and interest on the Mortgage Loans as these amounts are received.

Any amounts deposited into the Certificate Account on a Distribution Date will be available to pay (i) interest accrued and distributable on the Certificates on that date and (ii) principal of the Certificates reflected in the class factors. We will not include any reinvestment earnings on amounts in the Certificate Account when we calculate payments to Certificateholders.

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

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

We are required to hold all such appropriately credited funds in our general accounts (and all funds in the Certificate Account that we have invested) for the benefit of the Certificateholders. Nevertheless, if a liquidation, reorganization or similar proceeding involving our assets were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders’ rights to those funds in the event of a proceeding of this type.

### **Reports to Certificateholders**

We will publish a class factor for each Class of Certificates on or shortly after the 11th calendar day of each month. If you multiply the class factor for a Certificate by the original principal balance or notional balance of the Certificate, you will obtain the current principal balance or notional balance of that Certificate, after giving effect to the principal payment to be made on the following Distribution Date.

We will provide each Certificateholder with a statement of the total principal and interest paid on that Holder’s Certificates with respect to each Distribution Date. After the end of each calendar year, we will also furnish to each person who was a Certificateholder at any time during that year any information required by the Internal Revenue Service.

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

### **Collection and Other Servicing Procedures**

In connection with its servicing activities, the Servicer has full power and authority to do or cause to be done any and all things it may deem necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. Subject to certain conditions and limitations described in the Sale and Servicing Agreement, the Servicer may, in its discretion and without obligation, purchase from the Trust any Mortgage Loan that has become more than 90 days delinquent. Fannie Mae will have a similar option to repurchase delinquent Mortgage Loans. The purchase price will be equal to the principal balance of the delinquent Mortgage Loan together with accrued interest at the applicable Net Mortgage Rate. We will pay the purchase price to Certificateholders in the same manner as full prepayments of Mortgage Loans. See “Description of the Certificates—Principal Payments” in this prospectus.

With respect to each Mortgage Loan, the Lender makes certain warranties to Fannie Mae concerning the following matters:

- the recordation of the original Mortgage,
- the validity of the Mortgage Loan as a first lien on the related Mortgaged Property, and
- compliance by the Mortgage Loan with applicable state and federal laws.

In the event of a material breach of any warranty or a material defect in the Mortgage Loan documentation, we may repurchase the Mortgage Loan from the Trust at a price equal to its stated principal balance together with interest thereon at the Net Mortgage Rate.

Subject to the limitations discussed below, we may:

- enforce or waive enforcement of any term of any Mortgage Loan,
- enter into an agreement to modify any term of any Mortgage Loan, or
- take any action or refrain from taking any action in servicing any Mortgage Loan.

The Trust Agreement prohibits certain other modifications, such as reducing the mortgage interest rate or principal amount or extending the term of a Mortgage Loan. However, the Servicer is authorized to waive any prepayment charge, assumption fee, or late payment charge.

In connection with the transfer or prospective transfer of title to a Mortgaged Property securing any Mortgage Loan, the Servicer, in most cases, will accelerate the maturity of the related Mortgage Loan if it contains a “due-on-sale” clause that permits acceleration under those conditions (unless applicable law prohibits enforcing the “due-on-sale” clause).

If for any reason the Servicer does not have to accelerate the maturity of a Mortgage Loan upon the transfer or prospective transfer of title to the related Mortgaged Property, the Servicer may enter into a transaction releasing the borrower from liability on the Mortgage Loan and imposing such liability on the transferee. In no event will any such transaction provide for reduction of the related Mortgage Interest Rate.

### **Certain Matters Regarding Fannie Mae**

We may not resign from our duties under the Trust Agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties under the Trust Agreement. In no event, however, would any successor take over our guaranty obligations. Even if our other duties under the Trust Agreement should terminate, we would still be obligated under that guaranty. In the event that we are unable to fulfill our continuing guaranty obligations, the Trust Agreement may be modified to provide for monthly distributions to be made from then-available Mortgage Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors. See “—Rights Upon Event of Default” below.

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

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

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

### **Events of Default**

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

- if we fail to pay Certificateholders any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of the Certificates have given us written notice;
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after Certificateholders owning at least 25% of the Certificates have given us written notice; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

### **Rights upon Event of Default**

If one of the Events of Default under the Trust Agreement has occurred and continues uncorrected, Certificateholders who own at least 25% of the Certificates have the right to terminate, in writing, all of our obligations under the Trust Agreement. These obligations include our duties as trustee as well as in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders also may appoint, in writing, a successor to assume all of our terminated obligations. This successor will take legal title to the Mortgage Loans and other assets of the Trust.

### **Voting Rights**

Certain actions specified in the Trust Agreement that may be taken by holders of Certificates evidencing a specified percentage of all undivided interests in the Trust may be taken by holders of Certificates entitled in the aggregate to such percentage of voting rights. The percentage of the voting rights allocated among holders of the Notional Classes in the aggregate will be 1.5%; the percentage of the voting rights allocated among holders of all other Classes in the aggregate will be 98.5%. The voting rights allocated to each Class of Certificates will be allocated among all holders of each such Class in proportion to the outstanding principal balances or notional principal balances of such Certificates.

### **Amendment**

We may amend the Trust Agreement, without notifying the Certificateholders or obtaining their consent, for any of the following purposes:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement as Trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement;
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected; or
- to modify the Trust Agreement to maintain the legal status of the Trust as a REMIC.

If Certificateholders having 66% of the voting rights give their consent, we may amend the Trust Agreement to eliminate, change or add to its terms or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Certificateholders who must give their consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that we must pay on any Certificate. Similarly, unless all affected Holders of any residual interest give their consent, no amendment may adversely affect their rights.

## **Termination**

The Trust Agreement will terminate when the last Mortgage Loan remaining in the Trust has been paid off or liquidated, and the proceeds of that loan have been paid to Certificateholders. The Trust Agreement also will terminate if the Servicer exercises its option to repurchase all remaining Mortgage Loans in the Trust. The purchase price for such optional repurchase will equal the outstanding stated principal balance of each Mortgage Loan (including one month's interest at the Net Mortgage Rate).

The Servicer may not exercise its option to repurchase unless the aggregate principal balance of the remaining Mortgage Loans is less than 1% of the aggregate principal balance of all the Mortgage Loans as of the Issue Date.

If the Servicer exercises its option to repurchase, we will have to retire all the Certificates. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. We will notify each affected Certificateholder in writing of the termination of the Trust Agreement, and will make the final payment to each person entitled to it.

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

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

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

- REMIC Elections and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of a Residual Certificate
- Taxation of Beneficial Owners of RCR Certificates
- Taxes on the REMICs
- Reporting and Other Administrative Matters

- Backup Withholding
- Foreign Investors

### ***REMIC Elections and Special Tax Attributes***

We will elect to treat the Trust and the Lower Tier REMIC as REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Arnold & Porter, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Trust and the Lower Tier REMIC will be treated as REMICs for federal income tax purposes. The REMIC Certificates (other than the R and RL Classes) will be designated as the “regular interests” in the Trust (each a “Regular Certificate” and, together, the “Regular Certificates”) and the R Class will be designated as the “residual interest” in the Trust. The Lower Tier Regular Interests will be designated as the “regular interests” in the Lower Tier REMIC and the RL Class will be designated as the “residual interest” in the Lower Tier REMIC (together with the R Class the “Residual Certificates”).

Because the Trust and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% of the assets of the Lower Tier REMIC consist of “real estate assets,” then the portion of the Regular and Residual Certificates that are qualifying assets under section 856(c)(5)(B) of the Code during the calendar year may be limited to the portion of the assets of the Lower Tier REMIC that are “real estate assets.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. In general, a Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of the Lower Tier REMIC will include, in addition to the Mortgage Loans, payments on the Mortgage Loans held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

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

### ***Taxation of Beneficial Owners of Regular Certificates***

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

### **Treatment of Original Issue Discount**

The Accrual Class, the PO Class and the Interest Only Classes will be, and certain other Classes of Regular Certificates may be, issued with “original issue discount” (“OID”) within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the

Certificate, generally in advance of receipt of the cash attributable to that income. We will supply to Holders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

#### *Definition of Original Issue Discount*

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

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25% of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the related underlying securities prepay at a specified rate by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized. The prepayment assumption applicable to the Mortgage Loans is equal to a 100% Prepayment Assumption as described in “Description of the Certificates—Structuring Assumptions—*Prepayment Assumption*” in this prospectus.

#### *Daily Portions of Original Issue Discount*

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

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

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

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

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

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the applicable prepayment assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- the prepayment assumption.

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

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae believes that the prepayment assumption described above is consistent with this standard. Fannie Mae makes no representation, however, that the Mortgage Loans will prepay at the rate reflected in the prepayment assumption described above or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates. See “Description of the Certificates—Maturity Considerations and Final Distribution Date” and “—Decrement Tables” in this prospectus.

#### **Subsequent Holders’ Treatment of Original Issue Discount**

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

#### **Regular Certificates Purchased at a Premium**

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

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

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

### **Regular Certificates Purchased with Market Discount**

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

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

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

### **Special Election**

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

## **Sales and Other Dispositions of Regular Certificates**

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

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

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

## **Termination**

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Trust by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Lower Tier REMIC.

### *Taxation of Beneficial Owners of a Residual Certificate*

## **Daily Portions**

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

## Taxable Income or Net Loss of the REMICs

The taxable income or net loss of the Trust and Lower Tier REMIC will be the income from the “qualified mortgages” they hold and any reinvestment earnings less deductions allowed to the related REMIC. In general, a Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code.

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

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

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

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

## **Basis Rules and Distributions**

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

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

## **Treatment of Excess Inclusions**

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. All taxable income with respect to the R and RL Certificates will constitute excess inclusions.

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

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

## **Pass-Through of Servicing and Guaranty Fees to Individuals**

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the related REMIC, including the servicing and guaranty fees imposed at the level of the Mortgage Loans. See, for example, “Description of Certificates—Servicing Through Lenders” and “Certain Federal Income Tax Consequences” in our MBS prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner's other miscellaneous itemized deductions, exceed 2% of the Residual Owner's adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees generally will be determined by (i) allocating the amount of such

expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

### **Sales and Other Dispositions of a Residual Certificate**

Upon the sale, exchange or other disposition of a Residual Certificate, the Residual Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Residual Owner’s adjusted basis in the Certificate. The adjusted basis of the Residual Certificate is determined as described above under “—Basis Rules and Distributions.” Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a capital asset.

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

#### *Residual Certificate Transferred to or Held by Disqualified Organizations*

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

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate and nominee and certain cooperatives) that owns a Residual Certificate if the pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

#### *Other Transfers of a Residual Certificate*

A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a “Non-U.S. Person”), unless the transferee’s income from the Certificate is otherwise subject to U.S. income tax. A transfer of a

Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the Trust will pay to the transferee an amount that will equal at least 30% of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See “Description of the Certificates—Special Characteristics of the R and RL Classes” in this prospectus for a discussion of additional provisions applicable to transfers of a Residual Certificate.

#### *Amounts Paid to a Transferee of a Residual Certificate*

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

### **Termination**

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

- the related REMIC terminates by virtue of the final payment or liquidation of the last qualified mortgage remaining in the related REMIC and
- the Residual Owner’s adjusted basis in the Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

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

### *Taxation of Beneficial Owners of RCR Certificates*

#### **General**

The RCR Classes will be created, sold and administered pursuant to an arrangement that will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The REMIC Certificates that are exchanged for RCR Certificates (including any exchanges effective on the Settlement Date) will be the assets of the trust, and the RCR Certificates will represent an ownership interest in those REMIC Certificates.

The RCR Classes (each, a “Combination RCR Class”) will represent the beneficial ownership of the underlying REMIC Certificates set forth in Schedule 1. Each Certificate of a Combination RCR Class (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying REMIC Certificates.

#### **Combination RCR Classes**

A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the REMIC Certificates underlying that Combination RCR Certificate. Except in the case of a beneficial owner that acquires a Combination RCR Certificate in an exchange described under “—Exchanges” below, a beneficial owner of a Combination RCR Certificate must allocate its cost to acquire that Certificate among the underlying REMIC Certificates in proportion to their relative fair market values at the time of acquisition. Such an owner should account for its ownership interest in each underlying REMIC Certificate as described under “—Taxation of Beneficial Owners of Regular Certificates” above. When a beneficial owner sells a Combination RCR

Certificate, the owner must allocate the sale proceeds among the underlying REMIC Certificates in proportion to their relative fair market values at the time of sale.

### **Exchanges**

If a beneficial owner exchanges one or more REMIC Certificates for the related RCR Certificate or Certificates in the manner described under “Description of the Certificates—Combination and Recombination” in this prospectus, the exchange will not be taxable. Likewise, if a beneficial owner exchanges one or more RCR Certificates for the related REMIC Certificate or Certificates in the manner described in that discussion, the exchange will not be a taxable exchange. In each of these cases, the beneficial owner will be treated as continuing to own after the exchange the same combination of interests in the related REMIC Certificates (or the same interest in the related REMIC Certificate) that it owned immediately prior to the exchange.

### ***Taxes on the REMICs***

The REMICs will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that the REMICs will engage in any transactions that will give rise to a tax on the REMICs. Pursuant to its guaranty obligations with respect to the Certificates, Fannie Mae will make distributions on the Certificates without offset or deduction for any tax imposed on the REMICs.

### **Prohibited Transactions**

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

### **Contributions to a REMIC after the Startup Day**

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

### **Net Income from Foreclosure Property**

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

### ***Reporting and Other Administrative Matters***

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the related Residual Owners will be treated as partners in that REMIC. We will

prepare, sign and file federal income tax returns for the REMICs, which returns are subject to audit by the IRS. We do not intend to register the REMICs as tax shelters pursuant to section 6111 of the Code. We will also act as the tax matters partner for the REMICs, either as a beneficial owner of a Residual Certificate or as a fiduciary for a Residual Owner. Each Residual Owner, by the acceptance of a Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

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

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

### ***Backup Withholding***

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

### ***Foreign Investors***

#### **Regular Certificates**

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

#### **Residual Certificates**

Amounts paid to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are paid on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the Mortgage Loans held by the related

REMIC were originated after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See “—*Taxation of Beneficial Owners of a Residual Certificate—Treatment of Excess Inclusions.*”

## LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates. 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 Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the 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. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

## LEGAL OPINION

If you purchase Certificates, we will send you, upon request, an opinion of our General Counsel (or one of our Deputy General Counsels) as to the validity of the Certificates and the Trust Agreement.

## ERISA CONSIDERATIONS

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

The U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, 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 requirements of ERISA and the Code.

#### **PLAN OF DISTRIBUTION**

We acquired the Mortgage Loans from the Seller pursuant to the Sale and Servicing Agreement. Greenwich Capital Markets, Inc. (the “Dealer”) proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

#### **LEGAL MATTERS**

Fannie Mae will be represented by Sidley Austin Brown & Wood LLP. Sidley Austin Brown & Wood LLP also will provide legal representation for the Seller, the Servicer and the Dealer.

Available Recombination (1)

REMIC Certificates		RCR Certificates						
Classes	Original or Notional Principal Balances	RCR Class	Original or Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
<b>Recombination 1</b>								
A21	\$ 52,465,000	A2	\$ 97,175,000	4.60%	FIX	SEQ/AD	31392DN65	May 2026
A22	44,710,000							
<b>Recombination 2</b>								
A16	\$ 3,787,000	A4	\$ 7,000,000	5.50%	FIX	SEQ/AD	31392DN73	May 2028
A18	3,213,000							
<b>Recombination 3</b>								
A24	\$409,659,115(4)	A10	\$409,659,115(4)	(3)	INV/IO	NTL	31392DN81	November 2030
A25	409,659,115(4)							
A26	409,659,115(4)							
<b>Recombination 4</b>								
A20	\$ 3,109,037(4)	A13	\$ 16,678,248(4)	6.75%	FIX/IO	NTL	31392DN99	May 2028
A23	1,237,555(4)							
A28	2,649,481(4)							
A31	2,945,621(4)							
A40	4,814,814(4)							
A41	1,458,592(4)							
A42	463,148(4)							
<b>Recombination 5</b>								
A17	\$ 19,691,000	A14	\$ 36,398,000	5.00%	FIX	SEQ/AD	31392DP22	May 2028
A19	16,707,000							
<b>Recombination 6</b>								
A9	\$409,659,115	A27	\$409,659,115	(3)	FLT	SEQ/AD	31392DP30	November 2030
A25	409,659,115(4)							
A26	409,659,115(4)							
<b>Recombination 7</b>								
A20	\$ 3,109,037(4)	A29	\$ 97,175,000	5.00%	FIX	SEQ/AD	31392DP48	May 2026
A21	52,465,000							
A22	44,710,000							
A28	2,649,481(4)							
<b>Recombination 8</b>								
A20	\$ 1,165,889(4)	A30	\$ 97,175,000	4.75%	FIX	SEQ/AD	31392DP55	May 2026
A21	52,465,000							
A22	44,710,000							
A28	993,555(4)							

REMIC Certificates		RCR Certificates						
Classes	Original or Notional Principal Balances	RCR Class	Original or Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
<b>Recombination 9</b>								
A24	\$409,659,115 (4)	A43	\$409,659,115 (4)	(3)	INV/IO	NTL	31392DP63	November 2030
A25	409,659,115 (4)							
<b>Recombination 10</b>								
A9	\$409,659,115	A44	\$409,659,115	(3)	FLT	SEQ/AD	31392DP71	November 2030
A26	409,659,115 (4)							

(1) The principal and/or notional principal balances of the REMIC Certificates and RCR Certificates involved in any exchange will bear the same proportionate relationship as that borne by the original principal and/or original notional principal balances of the related Classes.

(2) See "Description of Certificates—Class Definitions and Abbreviations," in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal". Same proportionate relationship as that borne by the original balances of the related Classes.

(3) For a description of these interest rates, see "Description of the Certificates—Distributions of Interest" in this prospectus.

(4) Notional Principal Balance.

(5) Principal Only Balance.

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No one is authorized to give information or to make representations in connection with this offering other than those contained in this Prospectus and the Information Statement. You must not rely on any unauthorized information or representation. This Prospectus and the Information Statement do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus and the Information Statement at any time, no one implies that the information contained in these documents is correct after their dates.

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

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**\$1,343,399,578**



**Guaranteed REMIC Trust  
Pass-Through Certificates  
Fannie Mae REMIC Trust 2002-W5**

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#### PROSPECTUS

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GREENWICH CAPITAL

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**June 21, 2002**

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